AUGUST 1955

The Controller

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CONTROLLERSHIP MOTIVATION

James L. Peirce

A VARIABLE BUDGET INSTALLATION FOR CONTROL PURPOSES

Edward Shippen

PRODUCTIVITY

Its Meaning—Its Measurement—Its Industrial Future

Allen W. Rucker

THE CONTROLLER'S INTEREST IN THE WORLD CALENDAR

Thomas M. McDade

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Recently an officer of one of our correspondents visited our city with his wife. Like most visitors, they were delighted with the special glow New York takes on after dark. During the day, the wife made the customary tours—up Fifth Avenue, through Rockefeller Center—that fascinate so many of our fair visitors. Her husband, though, enjoyed a banker's holiday.

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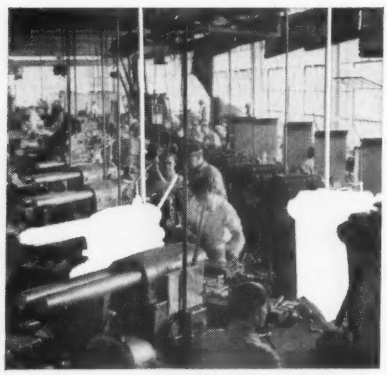

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MPA
Member, Magazine Publishers Association, Inc.

THE CONTROLLER. Published monthly by Controllers Institute of America, Inc. Publication office, 73 Main St., Brattleboro, Vt. Editorial office, One East Forty-second Street, New York 17, N. Y.

Entered as second class matter at the post office, Brattleboro, Vt., September 1, 1937, under the act of March 3, 1879. Subscription $6.00 a year. 2 years $10.00. Single copy 60c. Address subscriptions to the Circulation Manager care of the New York office. Advertising rate card available upon request to the Advertising Manager.

Change of address should be sent before the first of month preceding the issue to be changed.

The editor will be pleased to review manuscripts submitted for publication, but will not be responsible for loss in transit or otherwise. The views expressed in the various articles are those of the authors and not necessarily those of the Controllers Institute of America. Printed in U. S. A.

VOLUME XXIII, No. 8

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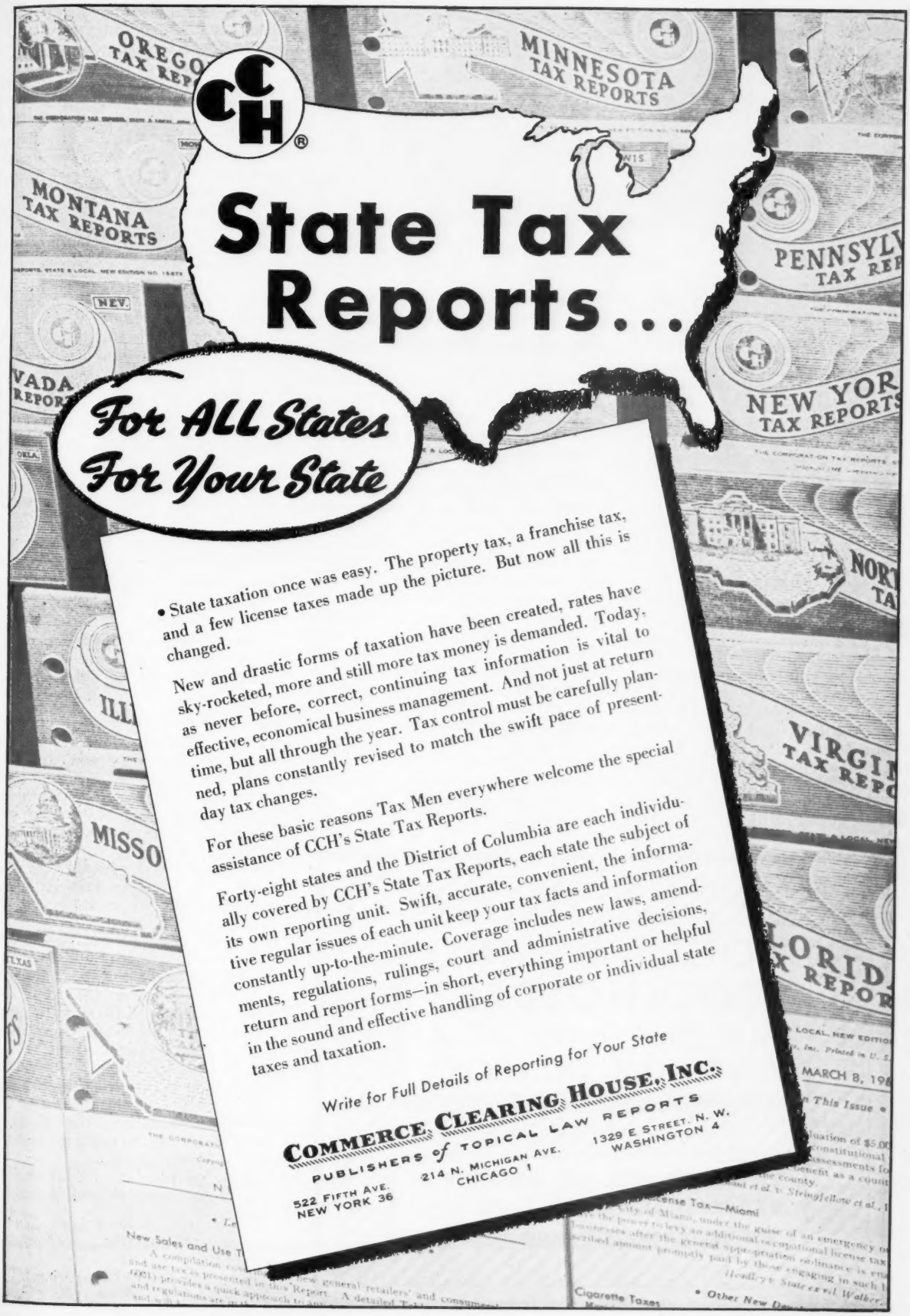
AUGUST 1955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Correspondence

PRO AND CON CALENDARS

Editors, THE CONTROLLER:

I noticed in the CIA *Members' Bulletin* dated February 25, 1955, on page 3 a request for information on 13-week periods for accounting or other methods of accounting not based on the 12-month calendar, and also a question whether any member firms have adopted a 13-week accounting period.

We have been using the 13-period year beginning with 1938 and we find it highly satisfactory. Every two years we buy a supply of printed calendars covering two years which Eastman Kodak Company use. They are printed on handy cards 3¼ x 6", one year on each side.

We have studied the different calendar methods fairly extensively at different times and we have in our files some literature concerning the 13-period business calendar, most of which we obtained from the International Fixed Calendar League of One Regent Street, London, England, which had an American office at 343 State Street, Rochester, N. Y. We have a copy of "Manual of the 13-Period Business Calendar" dated March 1, 1934 and also Pamphlet 3 entitled "Calendar Simplification."

We also have a reprint copy of an article entitled "The 13-Month Calendar" by M. B. Folsom of Eastman Kodak Company which appeared in the January 1930 *Harvard Business Review.*

Another booklet entitled "Operating a 13-Month Work Calendar" consists of seven papers prepared by representatives of companies using the 13-period calendar. This booklet is No. 26 of the Financial Executives Series, Copyright 1928 by the American Management Association.

Then there is the other calendar which seems to have more active pressure behind it at the present time, that is, the World Calendar (which we note the Seattle Control has endorsed). On this calendar, we have a booklet covering a survey which is entitled "The Present Calendar and Its Effect on American Business" by George M. Firestone, Department of Economics, College of the City of New York. The survey was sponsored by the World Calendar Association, 630 Fifth Avenue, New York, N. Y.

We believe that the World Calendar, which has 12 months and hence can be divided into four equal quarters, has little to offer (except the quarterly division) over the 13-period calendar. Whereas, the 13-period calendar (four weeks of 28 days each) has a great many advantages over the World Calendar. In fact, it seems to us, the only disadvantage that the 13-period calendar has is that you cannot get equal quarterly divisions.

In the financial world, this seems to be considered of great importance, but, to us, it seems to be not an insuperable obstacle. The 13-period calendar overcomes all the things which the World Calendar people try to overcome and does it better than the World Calendar.

For example, there are three months to each quarter, but the first month (January) has 31 days and the other two (February and March) have 30 days each. Correspondingly, in each of the other quarters, the first month of the quarter has 31 days and the other two have 30. Another advantage of the 13-period calendar is that every period begins with the same day of the week and ends on the same day of the week. Whereas, under the World Calendar, each month begins on whatever day of the week the first of the month falls on, the same as our present calendar. This means that for weekly pay rolls, there is still the split week problem to determine pay rolls accrued.

Readers of THE CONTROLLER are invited to express their reactions to articles appearing within our pages. Letters will be welcomed for inclusion on this page and must bear the writer's signature and address (which will be withheld if so requested). The Editors

Another weakness of the World Calendar is that the work week calendar is uniform only if six days a week are counted as each month has 26 week days plus Sundays. But this equilibrium is upset if one works on a five-day week because some months have five Saturdays.

There are many other advantages and some disadvantages to any change from our present Gregorian calendar, but the 13-period calendar seems to us to solve most of them. In fact, the matter of holidays breaking up the equilibrium of business days in any month or period will always be with us so long as people have different holidays in different places and at different times. So that must be put up with under any calendar.

If we can be of any further service to you on this matter, we shall be happy to do so.

FRANKLIN R. EHMANN
Controller
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Obligations of Other Federal Agencies		45,738,966
State and Municipal Securities		553,358,984
Other Securities		127,201,545
Loans and Discounts		2,641,050,349
Real Estate Loans and Securities		32,923,095
Customers' Liability for Acceptances		42,928,170
Stock in Federal Reserve Bank		15,000,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		33,068,518
Items in Transit with Branches		304,043
Other Assets		8,421,608
Total		$6,855,988,459

LIABILITIES

Deposits		$6,174,785,823
Liability on Acceptances and Bills	$ 72,008,716	
Less: Own Acceptances in Portfolio	27,623,018	44,385,698
Due to Foreign Central Banks (*In Foreign Currencies*)		19,193,300
Reserves for:		
Unearned Discount and Other Unearned Income		22,884,890
Payments Under Agreement of Merger Dated March 1, 1955		1,641,200
Interest, Taxes, Other Accrued Expenses, etc.		31,519,148
Dividend		5,500,000
Capital (*10,000,000 Shares—$20 Par*)	$200,000,000	
Surplus	300,000,000	
Undivided Profits	56,078,400	556,078,400
Total		$6,855,988,459

Figures of Overseas Branches are as of June 25.

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Forthcoming Features

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★ THE CONTROLLER HELPS THE SALES MANAGER
by W. H. Mordy

★ THE CONTROLLER'S PART IN PLANNING FOR PROFITS
by Robert Faegre

★ DEVELOPING ACCOUNTING PRACTICES AMONG EXECUTIVES
by C. R. Fay

THE CONTROLLER GETS AROUND

Editors, THE CONTROLLER:

We are planning to issue a monthly magazine, *Management Guide,* for our students and businessmen who are interested in management movement in the world.

Our school was founded by Professor Yoichi Uyeno, who is the former president of the Japanese branch of the Taylor Society and also the All Japan Management Federation.

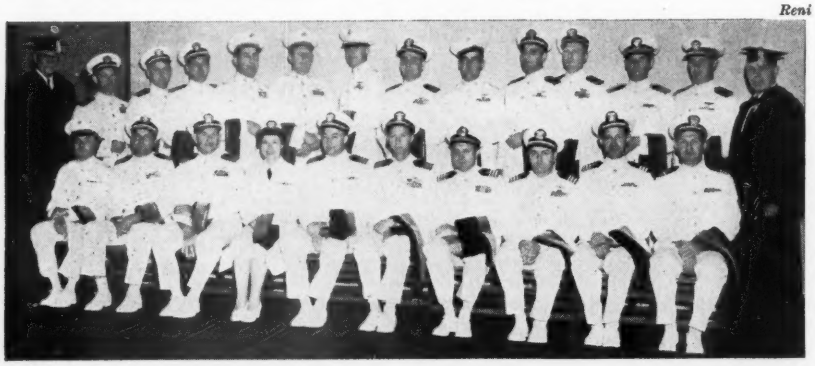
The purpose of the magazine is to introduce international management movement to those who are interested in it.

We would be very much obliged if you would kindly permit us to digest some articles out of your magazine, THE CONTROLLER, which are suitable for Japanese readers.

We are looking forward for your kindest reply.

ICHIRO UYENO
Secretary to the president
Junior College of Industrial Management
3-17 Todoroki, Setagaya,
Tokyo, Japan

Reni



1955 GRADUATION CLASS in Navy Comptrollership Program at the George Washington University, the fourth such group to graduate from the University. The program, sponsored by the Naval Post Graduate School, is offered by the University's School of Government. Director of the program is Dr. Rex Johnson (at right), professor of Public Administration. Graduates may receive either degree of Master of Business Administration or Master of Public Administration.

"A TO N" RATIO

Editors, THE CONTROLLER:

Fred V. Gardner's new book—"Profit Management and Control" (McGraw-Hill) just recently released, is excellent in its coverage of break-even points with special emphasis on their use in management decisions, measuring profit efficiency, etc. But, it does not cover in the slightest the "A to N" ratio nor the usage described in the article sent you last January. (See page 382 of this issue.)

It occurs to me that you might gain from timeliness of publication in the near future, plus, if you wish, a note in the proper place in connection with my article, to the effect that Mr. Gardner's book covers the subject very thoroughly with this exception.

Incidentally, while he is quite critical (almost misinformed) of accountancy and accountants generally, he does say some nice things about controllers.

W. M. PADGETT
Schlumberger Well Surveying Corp.
Houston, Texas

NAVY FINANCIAL MANAGEMENT

Editors, THE CONTROLLER:

The following article would be very useful as a teaching aid in my classes in Industrial Management. We request permission to reproduce this article for classroom distribution, both here at Penn and in my work with the Navy concerning Financial Management. Article—"Better Management Controls Through Direct Costing" by W. R. Wright, THE CONTROLLER, August 1954.

A. M. McDONOUGH
Course Head, Field Work in Industry
Wharton School of Finance and Commerce
University of Pennsylvania
Philadelphia, Pa.

NAVY FINANCIAL MANAGERS

Editors, THE CONTROLLER:

Dr. Rex Johnson of our School of Government told me you might be interested in seeing a picture of the recent Navy Comptrollership graduates, assembled for Commencement. Hope you have a place for it in THE CONTROLLER.

PHYLLIS J. HARTE
Public Relations Staff Writer
The George Washington University
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Scanning the Scene

The Urge to Merge

With corporate mergers and acquisitions in recent months gaining recurrent headlines, the general impression is developing that such transactions are greater in number than ever before. Mergers are indeed occurring frequently—at three times the rate of 1949 and close to the 1946-47 peak. The largest single number of acquisitions, incidentally, was by a dairy organization: 42 in the 1948-54 period.

Federal Trade Commission figures indicate that the merger revival began in 1951 when the number jumped from 200 in the preceding year to 703 in 1951, 882 in 1952 and 793 in 1953. Although no government statistics for 1954 were available as these notes were compiled, it was estimated that the merger movement had picked up by from 20 to 30 per cent in the past year and a half.

The years following the Civil War witnessed the first big moves toward consolidation, but the full force of that trend was not evident until toward the end of the '90s. It resulted in the passage of the Sherman Antitrust Act of 1890 but not until the "trust busting" years of the early 1900s and the Supreme Court decision of 1911 dissolving two of the largest combines, was the urge for corporate mergers slowed down.

Our economic historians note a second merger drive in the 1920s and lasting into the depressed '30s. The current decade of the '50s has been identified as the third big merger period in our economic history.

Financial Management in Government

Alert to the value of new techniques, methods and procedures, the U.S. Air Force introduced over a year ago an Executive Development Program and a Financial Management System, both patterned after successful systems now used in private industry and designed to increase operational effectiveness through better financial management. The Executive Development Program has gained wide acceptance during the intervening months and is already reputed to be producing gratifying results.

It consists of a series of weekly briefings, developed and directed by E. A. Karu, special assistant in the Office of the DCS Comptroller. Altogether, six series of briefings were planned and five of the series have now been completed—the most recent covering "Financial Management in Industry."

Indicative of the support given by American business and industry to this program is the appearance, in addition to many governmental specialists, of ranking executives such as Leland Glasgow, vice president and comptroller of American Air Lines, New York; C. J. Kushell, Jr., director of finance of the Port of New York Authority, New York; E. J. Hanley, president of the Allegheny Ludlum Steel Corporation, Pittsburgh, Pa.; E. E. McConnell, treasurer of the Norton Company, Worcester, Mass.; Raymond Lochiel, vice president and comptroller of Capital Air Lines, Washington, D. C.; K. Y. Siddall, vice president and comptroller of the Procter and Gamble Company, Cincinnati, Ohio; C. Robert McBrier, vice president and controller of Woodward and Lothrop, Washington, D. C.; John Walrath, finance manager of the Jet Engine Department of General Electric Company, Cincinnati, Ohio. (See pictures on page 387 of this issue.)

This series of briefings was designed to acquaint key individuals with the latest developments in controllership outside the Air Force, which is credited with being the first military service to introduce controllership, having set up its organization at Headquarters in 1946 and then extended it to wing and base level in 1948 and 1949. Early in the latter year, the first Comptroller School was established at the Air University with a 15-week course in the concept, fundamentals and problems of controllership. An educational program tailored to comptroller requirements was also initiated at the University of Pittsburgh and, subsequently, the Army School of Comptrollership, of which Dr. William Travers Jerome is director, was established at Syracuse University.

Corporate controllers and financial officers will applaud these efforts in Washington, D. C., to simplify budget structure, to broaden understanding of modern controllership principles and practices, and to encourage greater use of operating budgets based upon consumption of resources (expense accounting) rather than obligations.

Studying (and Steadying) the Cycles

The Ford Foundation recently made a grant of $1,250,000 to the National Bureau of Economic Research, a non-profit organization devoted to the study of business cycles and other phases of economics, to underwrite "certain new inquiries including the exact nature of the contemporary organization and structure of the private enterprise economy." Another highly important field is a study of the fundamental long-run changes in our economic system, as distinct from what may fairly be identified as more or less ephemeral changes. Exploration of this field is obviously related to studies in the difficult area of economic stabilization.

Continuing research into business cycle phenomena and aspects of economic change will also be possible as a result of the grant of funds. In the words of one of the officials of the National Bureau of Economic Research: "In spite of how much new knowledge we have about them, business cycles certainly have not ended, and we must learn more and ever more about them if we wish to build the best human society."

Significantly, it is pointed out that government today is a major factor in the operation of the United States economy—an important user of the nation's supply of labor and other resources, a force in the distribution of income, and a source of one-sixth of the national income. —PAUL HAASE

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Controllership Motivation

James L. Peirce

IN RECENT YEARS the controller's range of thought has been appreciably broadened. Perhaps the time has come when it should also be deepened. In this process, we soon encounter the bed rock of motivation and blast it out for examination.

Sometimes the individual who allows himself to think below the surface on this subject is disappointed at what he finds. His own motives may be confused and even misdirected. We have gone far enough in the development of the controllership science to know what our functions should be. Are we prepared to uncover the motives which activate and stimulate those functions? It is my conviction that we are.

Controllership, under whatever corporate title it may be practiced, has entered the abode of top management as a permanent resident. The planning and control principle, with budgeting, forecasting and accounting as primary tools, is at last being embraced in the management philosophy of a great segment of North American business.

For the past six years, a thoughtful statement of the functions of controllership has been publicized by Controllers Institute of America. It is fair to say that this statement has not been seriously challenged. It would not be fair, however, to say that all the facets of the definition have been tested sufficiently to prove them.

It is one thing to maintain a plan for the control of operations, for example, but quite another to report on the validity of the objectives of the business. It is well understood why and how the controller is to interpret the results of operations to all levels of management, but it is not as well understood that he cannot function completely without continuously appraising the economic and social forces which are affecting his company.

It is reasonable to suppose that these areas, where apparently thus far relatively few controllers have trod, will be fully developed in time. Meanwhile there are large numbers of controllers who seem to be still in the earlier stages—occupying themselves almost exclusively with accounting matters—and here the growing body of controllership inquiry must lend its help. We must accelerate the adoption of the newer concepts. We must knock on the mental doors of both controllers and presidents until these ideas are admitted. The demand for seasoned controllership is growing so rapidly that the question now is whether or not its practitioners are up to it. In business everywhere there is evidence to be found of the need for better planning and for the control that must accompany it—and not only the need, but what is even more important, the realization of it. A competitive economy more rugged than business has ever before experienced is posing this challenge.

THE PLATFORM

Fortunately, there is a clearly lighted path to the fulfillment of this opportunity and the elevation of practical controllership to new usefulness. The Institute's statement of controllership functions, already alluded to, constitutes an effective platform for action.

In this distillation of years of experience, reams of writing and hours of debate, will be found 244 words of surpassing significance to business management. Most controllers have read it dozens of times; many have undertaken rigid self-analysis in relation to it; and most of those I have talked with confess that they get lost at some point in its seemingly bottomless depths.

Since this six-point summary occupies an indispensable place in the chain of reasoning on which these reflections are based, it is re-presented on page 368.

It is not my intention to dissect this platform, nor to discuss its individual parts. This has already been done and is a matter of record. The functions have been practiced sufficiently to be proven sound. I should like therefore to use this opportunity to probe a little deeper in the effort to learn something about the driving force behind them.

JAMES L. PEIRCE, a national director of Controllers Institute, is vice president and controller, A. B. Dick Co., Chicago. This paper, given at the 1955 Eastern and Midwestern Conferences, CIA, is the fourth in a series by Mr. Peirce published in THE CONTROLLER (see list on p. 399). Mr. Peirce has been active in the affairs of the Institute since 1941, having served as president of the Chicago Control, 1950-51; as vice president, Region VIII, 1954-55; as chairman of the national Planning Committee, 1952-53; and of the national Executive Committee, 1954-55.

YUM

PERSONAL MOTIVATION

It is here that we confront squarely our chosen topic—motivation. It is here also that we must peel off the superficial layer of veneer and examine ourselves as executives and as human beings. For nothing will move without a force to impel it. No idea will become manifest in accomplishment without the motive which animates it.

It can hardly be denied that the primary impulsion of any man is the irresistible urge to express himself. Income is, of course, one of the primary needs, but it has been shown that the enjoyment of the things which income provides is basically an expression of the man's innate urge for self-expression. Even when salary requirements have been satisfied, the individual discovers that he is still dominated by the inner pressure to express himself more and more completely. He is driven to give voice to the indigenous qualities with which he has been endowed by his Creator.

Now I know that each of us has his own philosophy concerning the composition of a man. I will not try to convert you to mine, except to say that I do not subscribe to the cynical theory that all motivation is selfish. To express one's true self is exactly the opposite of being selfish, and I think this conclusion is nowhere better illustrated than among controllers.

For controllership thrives on a diet of service motivation. The most successful controller is the one who has so disciplined his thinking that he is in harmony with the objectives of a great service to business. He is required to devote himself to equipping his fellow executives with information and with the tools of control. He must support them with sound judgment and impartial advice. He must contribute freely to their decisions to the limit of his ability, with full knowledge that he can neither make those decisions himself nor claim credit for them—and he must never count the cost.

Now this service motivation is not peculiar to controllership. It is also a characteristic of other staff functions—personnel relations for instance—but controllership is as pure an example as can be found. It does not approach maximum stature when adulterated with operating duties, either conferred or usurped, and it must curb ambition in this direction if it aspires to ideal performance.

This becomes evident as we observe, in the first of the controller's official duties, that he is to arrange and coordinate one of the most complex techniques of modern management—the plan for the control of operations—without any direct enforcing authority whatever. To him is given only the right to sell his wares, and he must thereupon engineer this mechanism entirely "through authorized management." This assignment requires adherence to the rule of seeking his own progress in the progress of others, however altruistic this may sound.

THE HONEST PURPOSE

Moreover, we cannot escape the need for old-fashioned honesty of purpose in discharging these duties. The obligation to measure performance requires it, and the charge to interpret the results of operations does also. Even the specification that all levels of management be informed demands integrity of a high order in the controller's dealings with his associates. More so does the reporting on the effectiveness of policies, organization structure and procedures in attaining the objectives of the business.

The controllers I have known take their responsibilities very seriously indeed. The desire to be fair in their judgments, and the pitfalls of hasty or biased appraisals are a constant concern to most of them. It is easy to provide figures taken from a set of books, but it is quite another matter to see that those figures do not give rise to incorrect inferences on the part of those who use them.

We can only begin to imagine the havoc which a controller without scruple might cause. I am not here referring to cheating the government in tax practice or his company in expense accounts—although these deviations are bad enough in themselves—but rather to the far more subtle temptation to place shadings of meaning on the facts which further those aims which are to his liking. The authority to interpret is a heavy responsibility, and the controller must be dedicated to the uncovering and communication of impersonal truth. He can never lean toward either side of an issue because of the personalities involved.

Nor is this "bearing false witness" confined to deliberate distortion of the facts. It is all too easy to erect a mental barrier against the inspirations of the sales department, for example, because they do not conform to our conservative pattern of thinking. It is true that controllers devote much effort to deflating ill-conceived

WHAT IS CONTROLLERSHIP?

The concept of the function of controllership, as developed by Controllers Institute's Committee on Ethics and Eligibility Standards, and approved by the National Board of Directors on September 25, 1949, follows:

1. To establish, coordinate and maintain, through authorized management, an integrated plan for the control of operations. Such a plan would provide, to the extent required in the business, cost standards, expense budgets, sales forecasts, profit planning, and programs for capital investment and financing, together with the necessary procedures to effectuate the plan.
2. To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management. This function includes the design, installation and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.
3. To measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organization structure and procedures in attaining those objectives. This includes consulting with all segments of management responsible for policy or action concerning any phase of the operation of the business as it relates to the performance of this function.
4. To report to government agencies, as required, and to supervise all matters relating to taxes.
5. To interpret and report on the effect of external influences on the attainment of the objectives of the business. This function includes the continuous appraisal of economic and social forces and of governmental influences as they affect the operations of the business.
6. To provide protection for the assets of the business. This function includes establishing and maintaining adequate internal control and auditing, and assuring proper insurance coverage.

proposals with hard facts—yet they must not indulge a negative attitude on a "guilty until proved innocent" premise. It is not consistent with the honest purpose that we should delight in proving our creative associates wrong.

PROFITS AND COMMUNITY OBJECTIVES

Company philosophy must also be considered, however. To a large extent the controller's motivation is identified with that of the business of which he is a part. In times not too long past, this motive was profit, almost exclusively. Today we have advanced to the conviction that happy employes are as essential as happy stockholders, and the base has been widened to include customers, the community and government, the last especially where national defense is concerned. Business literature in recent years has established the case for warmer and more social objectives for the once chilly corporate being. This metamorphosis has direct meaning for the controller. He, no less than the president of his company, must be attuned to the new atmosphere. If he is not, his interpretations and comments will be flavored with attitudes outmoded.

Upon the controller is conferred a unique privilege in the Institute's definition. He is asked to measure and report on the validity of the objectives of the business. To absorb the impact of this language takes a lot of thinking, and to make it one's own requires even more.

One of the easier ways to avoid the mental labor required to understand this provision is to pass it by quickly on the assumption that it is the duty of the president and board of directors. Doubtless it is—but the framers of the concept had a clear conviction that it was the duty of the controller also.

Note that it is not his duty to *establish* the objectives of the business—only to measure and report on their validity. Perhaps even this much is beyond the range of some of us at present. Even so, it is not too early to begin thinking about it.

As a starting point, we might ask ourselves a few pertinent questions:

Does our operation have a profit objective, and is it a valid one?

Does it have stated objectives for product improvement?

What is its management thinking concerning expansion of markets?

What is its philosophy on employe relations and executive development?

Now I do not propose that the controller begin making a project of each of these questions, and I think he should be particularly cautious about advancing unwanted suggestions in fields in which he is not qualified. Nevertheless he should be thinking deeply in all these areas. His very exploration and discussion of them with his associates will qualify him to perform better his essential job of coordinating the company's planning. For all these fundamental questions of motivation of the business underlie its planning.

Little by little, evaluation of objectives leads to better planning. Better planning leads to better control. The controller may choose to *measure* a long time before he decides to *report* on the validity of objectives. Having gone through this thought process he will find himself so closely identified with the motivation of his business that he can no longer be accused of being lost in books and figures. He will have been revitalized with ideas, and his contribution to his company's progress will be augmented correspondingly.

But for many controllers, the first battle is with the spectre of doubt that he reads in the glances of his associates—the entrenched fallacy that these things are none of his business. This enemy will fade away with the dawn of the conviction that everything that concerns the company is the controller's business. The governing viewpoint must be correct, however. His treatment of top policy objectives must be in the dispassionate, impersonal light that bespeaks a mind rightly motivated.

THE PROFIT MOTIVE

I should not like to leave the impression of having discarded the time-tested profit motive, with which controllers have been so intimately connected. The need for an adequate profit is inherent in our competitive system, and is the force which may be credited with much of its initiative. I do, however, wish to emphasize the need for an *enlightened* profit motive.

One of the definitions for "profit" in Webster's dictionary is "valuable results; useful consequences." In this sense, the profit motive is bathed in the light of purity, because we can evaluate our results or consequences as broadly as we wish.

The question of immediate profit, for example, may sometimes be sublimated to the needs of public goodwill. The well-adjusted controller knows the meaning of public relations, stockholder relations, employe relations, and customer relations. These are such vital considerations that he cannot afford to be ignorant concerning them. If he is to be guided by an enlightened profit motive, he must be able to visualize, in each management decision, the "valuable results; useful consequences," whether or not these are manifested in the dollars which compose the immediate transaction.

Even in the narrower sense, however, the comfortable old-fashioned profit motive—we will assume it has been enlightened—is still valid as a guide to business. A company consistently returning a fair profit is *usually* pretty well adjusted to the more spiritual demands of the day. It usually ranks high in the calibre and balance of its management personnel, and, by the same token seldom is found ignoring public and community values.

Furthermore, a cost reduction effort usually contributes to profit, as does an improvement in procedures or planning. The addition of new sales volume (with an acceptable profit margin) works in the same direction. None of the minor or major moves taken by a company with the profit objective in view are harmful to it if long-range wisdom is exercised. Therefore

(Continued on page 396)

EXECUTIVE EDUCATION

General Electric Company is constructing a complete business administration college which will be used to give some GE executives, from section managers to vice presidents, intensive training in advanced managerial techniques.

Known as the General Electric Management Research and Development Institute, it will be located 35 miles north of New York City and will have its own permanent faculty including a dean and a staff of a dozen or more professors. The training period for each man will be a 13-weeks course revolving around lectures, conferences and discussions in which the men will spend a good part of the time analyzing the problems of their own divisions. It is estimated that some 300 will attend each year.

Other companies which have advanced management development programs are Westinghouse Electric Corporation, Monsanto Chemical Company, Detroit Edison Company, Sears, Roebuck, IBM, General Motors, and American Telephone and Telegraph Company.

A Variable Budget Installation for Control Purposes

Edward Shippen

INTRODUCTION

CONTROL is an act of management. The information required to exercise control varies in extent and content from company to company. Naturally, the larger a business the more complex the tools needed for control, but even in small business, some tool must be available. Too often the tool used provides merely for judgment of the present in comparison with the past; its form is not adaptable for use in planning the future. The result is static management. But the problems of management are of course dynamic. To solve them, information must be available not only for analysis of the present and past, but also for looking into the future. Budgets, as now developed, provide such information.

In the brief case history below there is described the development, installation, and use of a budget system. The motivation was not entirely as described above, but the end result was a control method adapted both to month-to-month analysis and to future planning. It is interesting that in this instance the method was applied to a declining industry, the retail sale of anthracite coal.

The over-all concept of centralization, which led up to the installation of budgets, originated with the controller of the parent corporation, The Glen Alden Company. The approach and mechanics were, from time to time, the responsibility of various assistant controllers.

A word concerning the organization. The corporation was a chain of retail fuel outlets in New Jersey, Pennsylvania, New York, Connecticut, and Massachusetts. The stock was wholly owned by a wholesale distributing corporation, which in turn was wholly owned by the producer of the coal which was the major sales item. The individual retail units were acquired in various ways, some in lieu of payment of debts for product, some to establish outlets where satisfactory franchises could not be arranged, and some under a deliberate policy of expansion of sales through ownership of retail outlets.

For a number of years, policy as to the corporate organization of the retail outlets was mixed and confused. Some operated as separate corporations with complete autonomy, some were corporately part of the retail subsidiary but were largely independent in operation, and some were corporately combined and were also closely controlled by the retail main office.

A movement towards centralized control commenced shortly after World War II. It accelerated in the late 1940s and was completed in 1954. During 1954 corporate policy, which had previously tended towards expansion of retail activities, changed and a policy was instituted which rapidly liquidated the retail business by sale of the retail outlets to local persons.

THE NEED FOR CENTRAL CONTROL

The primary motivation behind the development of central control seems to have been the desire of the parent company to follow more closely the use of working and fixed capital monies by its retail subsidiary. As the total amount involved was quite substantial, that desire was natural and logical. Central control of sales and operating policies was an outgrowth of financial control. The need for and effect of centralization was debated long and loudly. It would seem that the possible benefits outweighed the disadvantages. Discussion along those lines is not, however, within the scope of this paper.

STANDARDIZATION OF ACCOUNTING PROCEDURES

In the late 1930s a system of general accounting and reporting had been established for all retail units. General ledgers were maintained at individual locations and operating reports and balance sheets made up periodically. These were forwarded to the main office for consolidation. While in theory accounting method and form were standardized, practice varied tremendously between locations.

As the first step toward central financial control, centralization of the general ledgers was undertaken, and shortly thereafter a change was made from hand accounting and reporting to IBM machines and McBee report forms. Aside from economy, the greatest advantage of these moves

EDWARD SHIPPEN, from 1951-1955, was successively assistant to the executive vice president, assistant controller and assistant to the president of the retail subsidiary of the Glen Alden Company, Scranton, Pa. During World War II, he performed industrial engineering work for the Glenn L. Martin Co., Baltimore, Md., and spent two years with the Navy as Officer-in-Charge of the Airplane Gas Tank Assembly Plant, Honolulu. After the War, he returned to the Griffith Consumers Co., Washington, D. C., as assistant vice president and vice president operations.

was a standardization of procedure which had to precede the future development of control systems.

Standardization was not accomplished without pain. The local units had resented the loss of their accounting function, and when pressure was put on for standardization of reporting, bitterness flared. Apparently little effort was made to "sell" operating personnel on the need for the changes. As a result, morale was damaged and the development of further management control tools delayed.

THE ESTABLISHMENT OF VARIABLE EXPENSE BUDGETS

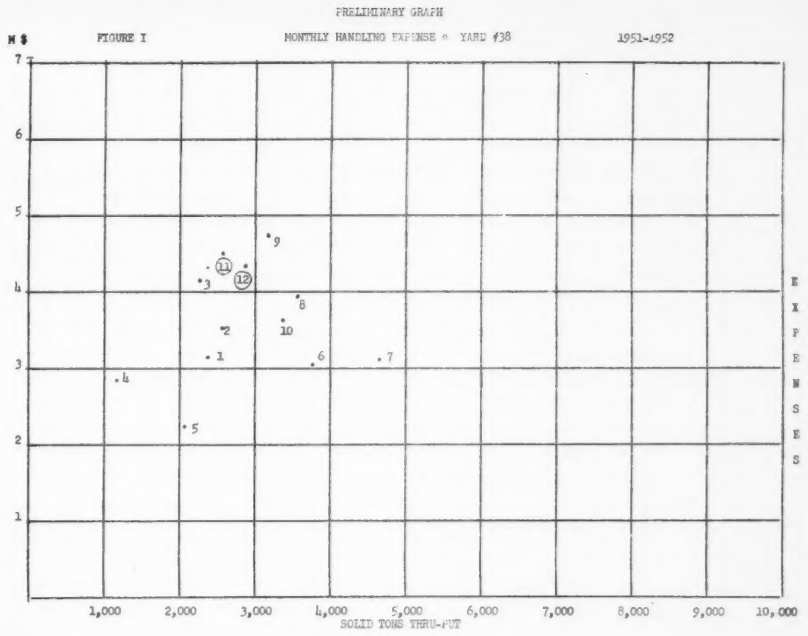
Central IBM accounting was installed in 1949 with the results described above. Although never fully accepted by operating personnel, active resentment gradually faded. At the same time, main office control of sales and operations gradually increased until the time became ripe for the installation of Expense Budgets. The errors of the past were remembered. A very complete selling job was done by the controller's office with retail top management, which by 1952 welcomed the concept of budgets. In the fall of that year, the staff of the executive vice president of the retail chain, together with the controller's office, commenced the establishment of variable cost budgets for all retail operations.

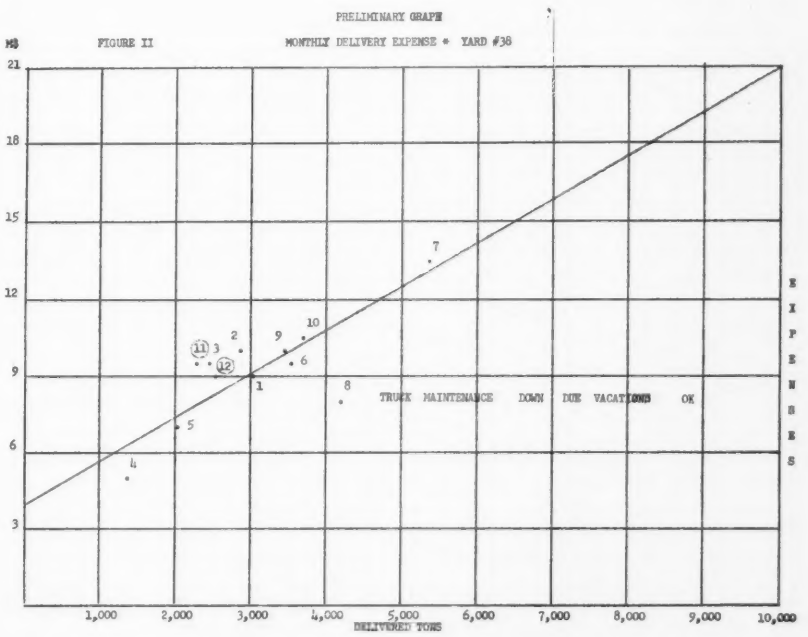
Budgets were first developed for the lowest organizational level, the local operating unit. The preliminary step was the assembly of detail costs and sales volume figures for each retail unit. Costs were segregated by functions: handling, delivery, selling, service, and administration; and applicable product volume correlated with costs. Figures for 12 preceding months were used.

Handling and delivery functions were considered to have elements of expense directly variable with volume. Points were therefore plotted on scatter graphs having dollars of expense as the vertical axis, and units of product as the horizontal axis. See *Figures I* and *II* for examples.

It was immediately evident that little direct variable could be assigned to the handling function. No trend was discernible on any graph. The one true variable expense, loss of product due to handling, was subtracted and a standby expense determined by obtaining a monthly average of all other costs. The variable was then added on the basis of past experience, tempered by the results known to be obtainable by the mechanical equipment at each location.

The graphs made for the delivery function all showed a definite pattern of expense related to changes in volume. A visually determined line of best fit was first drawn on each graph. All points not falling within an apparent normal pattern were examined, and adjustments made to eliminate reporting lag and nonrecurring





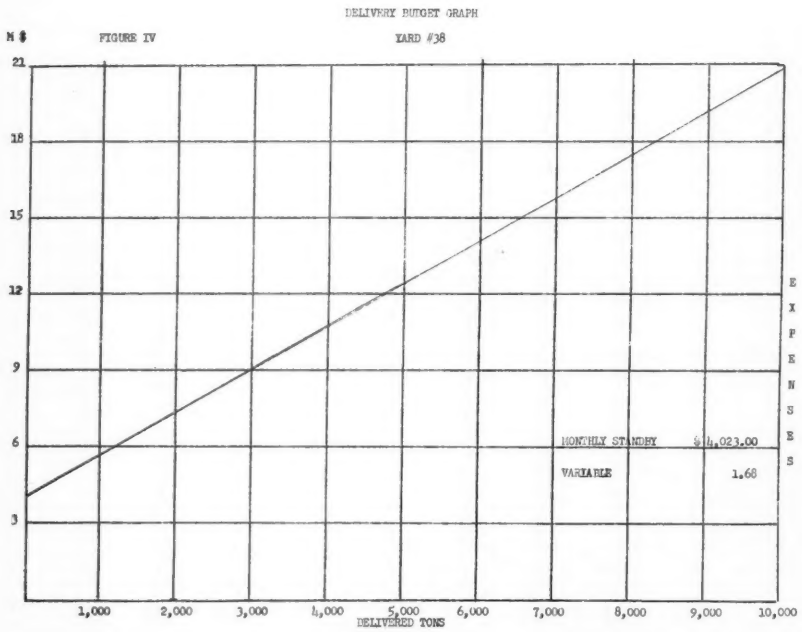
expense. Standby and variable expense were then determined through the formula of least squares, $Y = a + bX$.[1]

An analysis of the selling activities of the company indicated that because of the nature of the market no short-term correlation was possible between selling expense and volume. The effect on volume of fluctuations in selling activity was not questioned. However, lag in effect plus the complicating factor of a rapidly shrinking market made a determination of the variable impossible. Consequently, all selling expense, except advertising, was set up as a standby cost on the basis of a monthly average. Selling costs were then gone over in detail with top management and a standby budget established on the basis of planned expenses. Advertising budget was established by top management on an annual basis for each location. To provide flexibility a budget amount was added

[1] The composition and solution of this formula is well described in *Business Statistics* by Brumbaugh and Kellogg, published 1949 by Richard D. Irwin, Inc.

FIGURE III BUDGET SUMMARY YARD #38

	Monthly Standby	Variable Expense	Variable Multiplier
Handling	$3,530.00	$ .05	Tons Thru-put
Delivery	4,023.00	1.68	Tons Delivered
Selling	5,100.00	Add Advertising Monthly	
Service	20.00	-o-	
Administration	3,691.00	-o-	



monthly on the basis of amounts specified by the various local managers. To provide a means of control, cumulative per cent figures were maintained, and each monthly increment was approved in advance by the executive vice president.

The service function, which constituted the maintenance of customers' heating plants, created a very minor expense. Although unquestionably expenses fluctuated with volume of activity, the reporting system in use did not allow a determination of the volume factor. Consequently, in view of the minor expense, the service budgets were established as standby on the basis of average monthly costs.

Administration expenses were deemed entirely standby. The detail expenses were examined to determine nonrecurring items, which were subtracted, and a budget established on the basis of the monthly average of the remaining expenses.

The resulting budgets for the five functions were considered preliminary. Each budget was gone over with management and corrections made to reflect expected expense changes, such as union pay scales, depreciation and other fixed charge changes, and planned changes in number or salary of personnel.

Adjustments were made on some budgets to reflect top management's expectation of operating improvements. Studies had previously been made of labor effectiveness and truck costs. Where unit costs appeared out of line further investigation was made, and top management persuaded certain local managers that improvements were possible. The extent of the improvements expected was reflected in the budgets.

Two illustrations of the results obtained by management from the operating studies:

Of two similar city units, one delivered approximately 28 tons per day with two-man trucks, the other only 23 tons per day. The responsible manager had what might be described as a heart-to-heart talk with his personnel, obtained a new dispatcher, and soon showed a production increase of around 15%.

In one small-town operation truck costs were excessively high. Staff study revealed that the trucks in use were unsuitable for the local terrain. A replacement program was instituted which reduced per unit truck costs some 25% and at the same time increased labor effectiveness.

The improvements obtained were not directly connected with the installation of budgets. They are mentioned as an illustration of the advantages of centralized control and of the detail reflected in the make-up of the budgets.

The budgets were now considered firm for each function of each unit. Organizationally the units were grouped into six divisions. The budgets were therefore consolidated by divisions, and the division budgets were in turn consolidated into corporate budgets. These functional budgets were then consolidated for each unit, for each division, and for the corporation to provide a total budget for each location or group.

The budgets were finally assembled in summary form for arithmetical use. Graphs were drawn for all budgets having variable items. A budget summary and a delivery function graph are illustrated by *Figures III* and *IV*. Copies of applicable budgets were provided for the parent corporation management, for the controller's office, for the retail corporation top management, for the manager of each division, and for the manager of each unit.

As a matter of reference, budgets were established for 47 individual units. The work involved took three men, with stenographic help, three months to complete.

DESIGN OF OPERATING REPORTS FOR USE WITH THE BUDGETS

Prior to the installation of variable budget control on January 1, 1953, operating statements had included a column showing cost per unit of sales for each function. While this allowed historical comparison, the tremendous effects of volume changes from season to season and year to year made an accurate analysis of management effectiveness impossible. Consequently, it was decided to report only a comparison of actual results with corresponding budgets. Operating management concurred in this decision. A new operating report form was designed showing the expense items.

This form gave management a tool whereby it could very quickly review a large number of operations, and through the principle of management by exception concentrate attention on those locations

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Productivity: ITS MEANING, ITS MEASUREMENT, ITS INDUSTRIAL FUTURE

Allen W. Rucker

OURS IS A WORLD destined perhaps forever to be full of people with unlimited wants, but always with limited means of supplying them. Both Canada and the United States face certain inescapable necessities. The first is that the populations are growing much faster than the labor force. This means that each worker will be supporting more people, either directly in his own family or indirectly in his contribution to the economy as a whole. This means that output per worker, or productivity, must be maintained at a high level and even increased by more capital investment and even automatic equipment.

A second necessity is that of avoiding an advance in the level of hourly wage rates in excess of the gain in productivity. When that occurs, as it has in the recent past, manufacturing costs and the prices of manufactured products will likewise advance. To a nation with so large a portion of its national income dependent upon exports, advancing costs and prices could become a serious restraint upon the expansion of salable output, and hence, upon growth in employment proportionate to the increase in the labor force.

A third necessity is that of meeting the ever-mounting desires of our fellow human beings for more, and still more, of the good things of life. This is a matter of higher productivity, not a matter of higher earnings, either wages or salaries. Do workers understand this as well as management?

A recent survey in the United States found 68% of men employes, and 72% of women employes, declaring they would have first an increase in the purchasing power of present wages, in preference to an increase in wages. We in management may actually be somewhat backward in our failure to emphasize this matter of buying power of wages, as against higher money wages. It is a matter of keeping wages in line with productivity. Let me illustrate:

THE SOCIAL MEANING OF PRODUCTIVITY

Without identifying itself with its own figures, suppose each government in the world today submitted to us two indexes, that of its average hourly earnings in manufacturing and that of its manufactured goods prices. We could identify the private enterprise nations from the socialistic and communistic nations without any further information! Here is the rule:

It is a characteristic of private enterprise nations that the index of average hourly earnings always tends to rise faster than the index of manufactures prices.

Conversely, it is a characteristic of public enterprise nations, socialistic and semi-socialistic, that the index of average hourly earnings either just keeps pace with the price index, or falls behind it. The more socialistic or communistic the industrial system of a country, the greater the tendency of prices to run ahead of wages.

You may test the truth of this observation for yourselves. In Canada, for example, since 1949 the wage rate index has risen to 140% of 1949, whereas the price index for manufactured goods has risen only to 112%. In the same period, American factory wage rates have risen to an index of 136% (1947-49 as 100.0) while the price index has advanced only to 110%.

In the same period, or nearly so, in Great Britain the 1954 index of weekly wages and that of weekly prices both stood at 136% (1948 as 100.0). But, and this is instructive, 1954 was the first year since World War II that wage rates had risen to the level of prices; it has been only since England began to turn away from "social ownership of enterprise" that the purchasing power of wages has begun to rise.

We don't have adequate figures for Russia but we know that twice since World War II Russia has repudiated a high percentage of outstanding currency and for the declared purpose of increasing the purchasing power of wages. In other words, the excessive issue of circulating media in order to support higher money wages is a snare and a delusion. It is a trap for government and wage earner alike.

Wherever this practice has gone to extremes, there one invariably finds an unstable and "weak" government. It is unstable and weak because it rests, or wobbles, on a base of declining industrial productivity. There is no hope for a rise in the scale of living; the outlook is the bleak one of sharing a stationary or near-stationary industrial output with an ever-larger number of new mouths to feed, and bodies to clothe and house. Only a rise in productivity and hence total output, faster than the increase in population, can bring about the degree of social tranquillity necessary for a stable political system. There must be a price level that is declining relative to wages, i.e., prices must not advance so fast as wages, or there can be no improvement in purchasing power and the scale of living.

Only an increase in productivity can make possible a rise in money wages

ALLEN W. RUCKER served as purchasing agent, City of Bristol, Va., 1919-1920; subsequently as credit manager and sales manager; began practice as business consultant in 1924; co-founder and president of the Eddy-Rucker-Nickels Company, 1929. He has acted as business consultant to firms in United States, Canada, and various foreign countries; member of Advisory Committee on Productivity for Europe, Mutual Security Administration. This paper, from which excerpts are taken, was delivered at the Eastern Conference of Controllers Institute.

EXHIBIT I
DYNAMIC FACTORS IN PRODUCTIVITY

All Manufactures Combined—1954 **Canada and the United States Compared**

	CANADA		UNITED STATES	
	Index Numbers 1949 = 100.0	*Rate of Growth*	*Index Numbers 1947-1949 = 100.0*	*Rate of Growth*
1 Population	113.9	2.8%	110.2	1.7%
2 Labor Force	107.5	1.6	107.0	1.2
3 MANUFACTURING OUTPUT	133.3 p*	5.9 p	126.5 p	4.0 p
4 Man-Hours Employment	106.5	1.3	101.8	0.3
5 PRODUCTIVITY per M/H	(d) 125.1 p*	4.6 p	123.2 p	3.6 p
6 Payroll Production	150.0	9.4	138.2	5.6
7 Wages, Average Hourly	140.8	7.1	135.9	5.2
Purchasing Power	125.1	4.6	123.2	3.6
8 Labor Costs Per Unit	(d) 112.6 p*	2.4 p	109.2 p	1.5 p
9 PRICES, Manufactures	112.6	2.4	110.3	1.7
10 Prices, Relative to Hourly Wages	(d) 79.95	4.5 (—)	80.4	3.6 (—)
11 RUCKER Near-Constants:**				
Labor's Share of Production	n.a.	—	39.749% p	—
Management's Share of Production	n.a.	—	60.251% p	—
Production Value Per $1 Wages	n.a.	—	2.516 p	—

Sources: Index numbers except those marked (d) from Canadian Bureau of Statistics, and U. S. Department of Commerce, respectively.
(d) These index numbers derived by means of Rucker near-constants.
(p) Preliminary, subject to later revision.
(p*) Projected in absence of complete data.
(n.a.) Data not available; approximately same as U.S.A.

**Established from U. S. Census of Manufactures, 1914-1947. The long-term RUCKER near-constants are (a) Labor's Share 39.395% (± 1.663%); Management's Share 60.605%; Production Value Per $1 Wages, $2.538.

See Report, PROGRESS IN PRODUCTIVITY AND PAY, ALL U. S. MANUFACTURES COMBINED, 1914-1947. The Eddy-Rucker-Nickels Company, Cambridge 38, Mass. 1952. $3.50.

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faster than prices, i.e., bring about a gain in the purchasing power of wages. This latter result seems to be the peculiar and incalculably valuable "secret weapon" of private capitalism and private enterprise.

Appended to this paper is a table comparing the productivity in manufacturing of Canada and the United States. This same table also shows the respective wage rate indexes for the two countries, along with population and labor force growth, industrial output, prices, and the purchasing power of labor. For those, you may wish to know, are the dynamic factors in any economy.

From these remarks, and from the data in this table, it is easy enough to see the social meaning of productivity. But there is also a business meaning. Briefly, it is this:

THE BUSINESS MEANING OF PRODUCTIVITY

The greater part, indeed the overwhelming part, of our operating costs represents "wages and salaries." Even the raw materials we buy from others comprise chiefly labor costs in the extractive industries, or in the semi-manufactures. So it is not surprising that a nation's cost of manufacturing is largely a matter of "labor cost." It is small wonder that controllers pay such close attention to "labor cost." But there is more to it, in a national sense.

I have found, for example, that I can construct a very good index of over-all labor costs for all manufacturing combined, simply by dividing our Federal Reserve Board Index of Production into our Bureau of Labor Statistics Index of Factory Payrolls. If you have a reliable Index of Physical Output for your own firm, you need only to divide it into an Index of Payrolls for your plant, and you have an Index of Labor Costs. When this is done for our United States figures, it turns out that the Index of Factory Labor Costs is almost exactly the same as the Bureau of Labor Statistics Index of Prices!

If this seems surprising, one needs only to ask "but why not, what else would you expect?" And, upon reflection, we realize that basically our methods of price-estimating trace back in essence to percentage mark-ups on labor cost of our products, for the most part.

And, of course, the labor *cost* itself is a combination of (a) hourly wage rates and (b) units per man-hour. If we trace the thing far enough we begin to see emerging a more or less generalized formula or equation, one that enables us to unify or integrate the whole process and say:

(1) *Labor costs increase in direct proportion to the increase in hourly wages, and inversely proportionate to the improvement in productivity per man-hour.*

In other words, as we use fewer man-hours because of more output per man-hour, we trend toward counterbalancing the increase in hourly wages by a proportionate reduction in hours paid. For the United States, as shown in *Exhibit I*, the wage rate index advanced in 1954 from a base of 100.0 to 135.9. Average productivity prevented that from being entirely reflected in a price rise of equal proportions; productivity rose from 100.0 to 123.2. So, following equation (1) above, we divide the advance in wage rates, 135.9, by the productivity index, 123.2, and we forthwith find our index of labor costs per unit of product. It is 109.2. As the table also shows, this index of labor costs is almost exactly the same as the B. L. S. price index, which was 110.3.

But, why is not more use made of these vital facts? There are probably many reasons, but I suspect that most of them stem from one central deficiency. We do not have a single clear meaning of productivity; we talk about it but we often mean different things and we keenly miss the necessary means of measuring it.

PRODUCTIVITY—ITS MEASUREMENT

Just what is "productivity" and how shall we measure it so that it means the same thing to all of us? Especially, how shall we express it in terms that both management and labor will understand as meaning the same thing?

Well, we can begin where everyone begins. Productivity is the ratio of output of goods to the input of —— what? We can insert in this blank space input of "capital," of "electrical energy," of "materials," of "management brains," or, as most do, input of "labor." Let's take the latter, but with the footnote that we certainly are not measuring the increase in worker-effort or even efficiency alone. What we are measuring is perhaps best described as "effectiveness of labor utilization." This effectiveness, in turn, is the combined outcome of better tools of production, better methods of production, and better human teamwork in production.

If we are safely over this immediate difficulty, we are confronted by another. We say "greater output of goods" but how do we measure that?

Does this seem to be a naïve, even stupid question? Well, let's ask ourselves another: What is our unit of measure for a cotton or woolen mill, making say 200 different constructions of fabric, some of which are sold in the gray while others are bleached, and then printed or dyed. Is the yard or the pound a real measure when one yard may be processed only to the point of gray goods, and another to five-color printing?

The same difficulty appears in any multi-product plant. Take shoes, for example, and let's even say "men's Goodyear welt dress shoes." A shoe manufacturer finds himself making 50, 100 or

even 500 different styles, each with a different amount of foxing and stitching for the uppers, some with plain toes and others not; some with cloth linings, others with leather linings, or perhaps no linings at all. Nor does the difference, with respect to man-hours of labor used, end there. How then can we measure our output simply in "pairs" finished and packed? If "pairs" is not a measure of output relative to labor man-hours input, or payroll dollars input, then what is?

This same difficulty confronts us in every industry, even in the plant making a single product. For the product tends always to be improved by some change of specifications. Today's nylon hosiery is something quite different from its progenitor; and today's Buick or Ford is also different from that of even last year, let alone five or 25 years ago. What physical unit can we use?

When we come right down to it, it is so hard as to be impossible to find a satisfactory "physical" unit by which to measure our output for purposes of computing changes in productivity. The constant change in specifications, to say nothing of other factors, virtually precludes finding a single-figure index of "physical units" as we know it.

Let me repeat—for purposes of measuring labor productivity, especially when we begin to use that measure for compensating labor, it is almost impossible to find a physical unit of measure that would remain unchanged even for a few months, let alone for a period of years.

Now, of course, I am fully aware that most of us do measure productivity on the individual operation, and that with all the precision (and perhaps a little guesswork and averaging) made possible by stop watches and the most approved methods-time-motion procedures available. I am not objecting to that, nor depreciating its value. I am simply saying that despite all that, we cannot collect into a single figure for our entire plant the several productive rates on individual operations. We have no means of constructing a composite index of physical-unit productivity that will reflect the variety of grades, qualities, styles, colors, sizes and shapes of our output. And even if we did have, a few changes in specifications would make our original unit increasingly less trustworthy for purposes of measuring productivity per man-hour of labor, or per dollar of payroll. And even if we hurdled that one, we would face still another.

We would be faced with diverse up and down movements in prices and in wage rates, so that we would have no good and uniformly trustworthy means of converting our physical-unit measure into something we could safely compare with man-hours of labor.

I suppose that it could be done, at least after a fashion, and with the expenditure of uneconomic amounts of time and effort, and money. Nothing is impossible, but it may be altogether impracticable for most of us, nonetheless.

And it may be unnecessary, especially when most of us have at hand in our businesses a perfectly satisfactory measure of commercial or economic output, and likewise of our labor input. What is it?

As respects labor input, we know the total cost to a penny, including direct and indirect, premium pay and shift differentials, vacations and holiday pay, and all forms of deferred or "fringe" benefits. To be sure, conventional accounting often identifies "direct labor" as a single figure, and lumps indirect labor and "fringes" into the factory burden account, but they can be sorted out so as to obtain a single-figure labor expenditure. So also can be obtained the corresponding hours worked by hourly rated labor.

Now, how may we best measure the plant's utilization of labor input? In other words, how can we get a single-figure showing what we got in return for the labor input?

The simplest and most understandable figure is that representing what we received from customers for the man-hours of labor input, quite clearly distinguished from raw material costs with whose production our own labor has nothing to do. This figure is sometimes called "value added by manufacture," or "income from conversion"—I term it Production Value because it represents the market worth of our own productive efforts, separate and distinct from raw material costs.

The determination of Production Value for these purposes is not always an easy and simple thing; it requires considerable "know how" and experience. However, it is easy to describe it so that everyone will recognize it:

Production Value is the dollar sum remaining after deducting from sales value of output the outside purchases of raw materials, supplies, and other items.

As you will readily appreciate, Production Value represents 100.0% of the economic contribution of our plant; somewhere along the line in making up a nation's Gross National Product our contribution, with that of all others, becomes a part of the national figure. The Gross National Product is simply the "value added" by the entire national productive effort. It is national Production Value.

And, of course, Production Value, on both a national basis and an individual plant basis, is also 100.0% of our internally disposable income. That's all there is; there isn't any more.

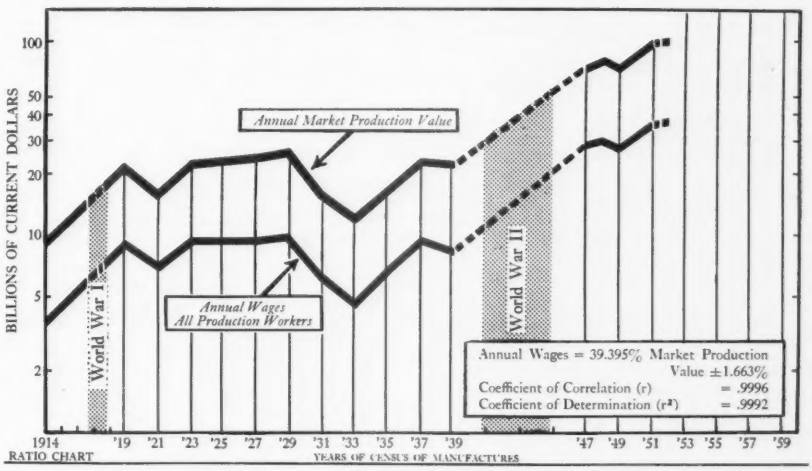
In each individual plant, we have found that this figure best integrates all changes in product specifications, process and methods improvement, wage rates and productivity in terms of physical units. It is directly proportionate, or tends to be directly proportionate, to labor costs. Or, to turn the equation around,

Total labor costs are directly proportionate, or tend to be directly proportionate, to total Production Value.

EXHIBIT II
THE RUCKER SHARE OF PRODUCTION PRINCIPLE

All U. S. Manufacturing Combined

Test of Validity by Empiric Data from official U.S. Census of Manufactures, 1914-1947, with extension to 1952 by use of the Rucker near-constants and B.L.S. Payroll data.



Source: PROGRESS IN PRODUCTIVITY AND PAY, ALL U. S. MANUFACTURES COMBINED (1952)
1914-1947—U.S. Census of Manufactures, U.S. Dept. of Commerce.
1947-1951—Survey of Manufactures, U.S. Dept. of Commerce.

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EXHIBIT III

MANUFACTURERS' OPERATING MARGIN ABOVE LABOR COSTS

(Productivity per Man-Hour minus Hourly Labor Cost)

All U.S. Manufacturing

Per Man-Hour	1947-1949	1950	1951	1952	1953	1954
1 Production Value (economic productivity)	$3.330	$3.784	$4.041	$4.246	$4.485*	$4.586*
2 Hourly Gross Wages (Labor's Share)—deduct	—1.329	—1.459	—1.609	—1.673	—1.767*	—1.807*
3 Hourly Operating Margin (Management's Share)	$2.001	$2.325	$2.432	$2.573	$2.718*	$2.779*
4 Per Cent Margin to Production Value	60.09%	61.44%	60.18%	60.60%	60.60%*	60.60%*

Source: U. S. Census of Manufactures data, with per-man-hour figures supplied.
*Preliminary estimates from B.L.S. data extended by means of the Rucker near-constants.

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This fact may surprise you. Certainly, it surprised me when I first discovered it more than 20 years ago. But it is true, both for entire nations and for individual firms. Attached is *Exhibit II* giving the data for the United States over almost 40 years. Our research reveals that manufacturing wages in the United States are almost a constant percentage of Production Value, the measure of industry's economic contribution.

That percentage is 39.395%, plus or minus 1.6%. In other words, over the entire period 1914 to 1953 for which we have official data, the deviation or fluctuation in that percentage is confined within a narrow band of plus or minus 1.6%.

RUCKER NEAR-CONSTANTS

By the same token, if we regard Production Value as 100.0% of our economic or internally disposable income, then paying 39.395% for labor alone leaves us a "margin above labor costs" of 60.605% for all other compensation costs, non-compensation costs, and ownership obligations including profit. These two figures are known as the Rucker near-constants. As we shall see shortly, they are extremely useful figures.

Let me interject here, however, that no individual firm or plant can expect to have its own near-constants the same as the national averages. We have found both in the United States, Canada, England and Germany that each firm will have its own near-constants and only by random chance will they be close to the national average of that country.

Let us see what happens in the measurement of productivity per man-hour when we use Production Value as our measure of output.

We need only to divide Production Value by total man-hours of labor input, and we have the economic measure of productivity per man-hour. This is a single figure for an entire plant, for any given accounting period, month, quarter-year or fiscal year.

This figure tells us the economic utilization of labor hours, that is, what we got for our efforts in the form of internally disposable income. This is an extraordinarily important figure in showing the effectiveness of management. Of this, we shall see more a little later.

But first let me say that I am aware of the fact that, for certain operations, many plants already have a measure of the output per direct-labor hour only. Those are the plants with some form of piece-rate, or premium-hour individual-worker incentive plan. In such plants, management will know the standard and the actual output for a variety of operations, and for each individual employe covered by the plan.

And yet even those plants will not have a single-figure which expresses the productivity of the plant *as a whole*. Even when the average performance of covered workers is used, it excludes at least the indirect labor and often much of the direct labor which is not covered by such plans. Moreover, of course, that average ratio is not expressed in either any known physical-unit or yet any monetary figure of company return for the effort. If we try to translate the available ratio into company return, we should have to come back to money figures and these would be "Production Value" per man-hour or per dollar of wages paid. It is not otherwise possible to find a true measure of economic productivity.

This fact does not mean that measured standards on individual operations are not useful, and indeed often essential. It simply means that for certain broader purposes of management, physical-unit operational standards do not serve the purpose. And, it may well be that they do not serve broad economic aims, either. For example, such plans, paying the employe on a 1:1 basis, represent a constant unit labor-cost per piece or operation. There is no money-saving or time-saving in direct-labor, insofar as what may be passed on to the customer. This realization accounts, in some part, for what appears to be an American trend away from individual-worker incentives.

If our mail in Cambridge, Mass., is an indication, not a few Canadian firms are following this trend. As nearly as I can judge this tendency, it will end up by fewer firms paying labor on a basis of operations or pieces per hour—a physical unit basis. But it will not end up by abandoning time-and-motion study as a means of improving methods and output; these are essential if we are to obtain more units per hour. But it is not essential to pay labor by the piece or by the operation; indeed with the tendency of wages to rise more than twice as fast as prices we can collect for the product unit, it may be imperative NOT to pay by the piece.

What may happen, instead, is that we shall consciously pay on the basis of what we have to pay with, in other words, in proportion to Production Value. Actually, most firms are doing this anyway, without realizing it perhaps. To illustrate:

Let me call your attention to *Exhibit III*. Here we have for the past five years the American manufacturing averages Production Value per man-hour, and gross wages (including fringes and overtime) per man-hour.

Production Value per man-hour, i.e., commercial productivity per man-hour, rose from $3.33 to $4.586 in a five-year period. This is a sizeable increase in commercial or economic productivity per man-hour. This increase includes not only improved physical-unit productivity per man-hour but also price increases as well. And what did manufacturers obtain from all this? Simply this: they obtained their normal near-constant share of the increase, 60.605%, after paying hourly rated labor higher wages. In brief, management's "margin over labor costs" increased at the same rate as productivity per man-hour and also at the same rate as hourly wage-rates!

What did they average to pay labor per man-hour?

Over a five-year period they paid almost exactly the same percentage of this economic productivity—even though hourly wage-earnings rose from $1.329 to $1.807. In other words, the increase in wages was in direct proportion to the increase in commercial productivity. The economic labor cost was a constant, that is, 39.395% within very narrow limits of fluctuations, plus or minus. And this is the same near-constant which American industry has been paying since the turn of the century.

Now, also, we find that management's margin "over labor costs," that is, productivity per hour in dollars minus wages per hour, likewise has risen over the past five years. It rose from $2.001 to $2.779 in 1954. For all practical purposes, the increase was the same percentagewise as the increase in economic productivity per man-hour. *(Continued on page 390)*

THE CONTROLLER'S INTEREST IN

The World Calendar

Thomas M. McDade

Reform of the calendar is again in the news if recent articles in the Reader's Digest *and many other periodicals are any indication. In addition, a proposal to reform the calendar is on the agenda of the Economic and Social Council of the United Nations. Consideration of this item, however, has been deferred until the spring of 1956.*

The current movement for the World Calendar goes back about 50 years. In 1910 the International Chamber of Commerce began a movement for calendar reform. Subsequently the League of Nations took up the subject. The League considered 185 calendar reform plans and rejected all but two—the World Calendar with equal quarters and the 13-Month Calendar with equal months. In 1937, 14 nations voted for the World Calendar and none voted for the 13-Month Calendar. For all practical purposes, then, the 13-Month Calendar is dead. Businessmen, used to facing the world as it is, if they desire calendar reform, should push for adoption of the World Calendar, regardless of which calendar they believe to be most perfect.

True, each controller, in his own realm, faces problems more serious and crying louder for solution than those created by our present calendar. A new calendar, therefore, cannot demand his attention because of any dramatic benefits his company will realize from its adoption.

Supporters of the World Calendar claim, however, that a more reasonable method of dividing the year into weeks, months and quarters will result in incalculable benefits to all institutions which deal with time and that the cumulative benefits will be measurable in a happier and more productive world.

MOST PEOPLE see little that is wrong with the present calendar. There is, of course, the mild annoyance when a holiday falls in the middle of the week or the real chagrin when lodge night falls on your wife's birthday. But most people attribute these things to fate and not to a man-devised calendar. *"The fault, dear Brutus, is not in our stars, but in ourselves."*

The trouble with time is that it is measured in three different ways. The day is the measure of the time it takes our planet, Earth, to turn once on its axis. The year is the measure of time it takes our planet, Earth, to revolve once around the sun. The lunar month, now less important, is the time it takes our moon to revolve around the Earth.

Unfortunately for the devisers of calendars, the world takes 365¼ days—less 11 minutes—to circumnavigate the sun. In accounting terminology it takes 365.242216 days. In accounting for this time, our present calendar produces the following effect:

—quarters and months end on any day of the week.
—quarters are unequal in length.
—days and dates never agree from year to year.
—holidays vary.
—years begin on different weekdays.

In addition (and only because Emperor Augustus stole a day from February to give his month, August, 31 days) the first half of the year, with 181 days, is three days shorter than the second half.

These awkward characteristics of our calendar arise from the fact that our solar year contains 52 weeks and a day rather than a neat 52 weeks.

OUR CALENDAR'S HISTORY

Except for one change, our present calendar is the one which was decreed by Julius Caesar about 2,000 years ago at a time when his word was law in the Western World. Caesar's calendar contained 365¼ days with the fractional days saved up and recognized every fourth "leap" year. So it was Caesar who gave us a calendar with months of 28, 29, 30 and 31 days and with a fractional number of weeks in the year.

Pope Gregory XIII in 1582 was advised that Caesar's calendar contained a slight error and that unless he took action, the first day of Spring—which is supposed to come on March 21—would eventually come in December. To correct this intolerable situation the Pope decreed a correction of the calendar and a new method of computing leap years so that the error would not recur.

The authority of the Roman Catholic Church assured the immediate adoption of the Gregorian Calendar in many countries. Great Britain and her American Colonies did not fall in line, however, until 1752. To correct the calendar, 11 days had to be dropped and this was done in spite of rioting and obstruction by some folk who were convinced that 11 days were being stolen from their lives. *"Give us back our days,"* they cried.

But how does all this affect our business and personal life?

THOMAS M. McDADE graduated from the College of the City of New York, 1928, and received his Bachelor's and Master's degrees in law from St. John's University. He was with the FBI from 1934-38, first as an agent, later as a supervisor. Prior to joining the armed forces in 1942, he was associated with the law firm of Bigham, Englar Jones & Houston. In 1946 he joined General Foods as accounting manager. He was promoted to assistant controller in 1950 and elected controller, 1953. He is a member of N. Y. State Bar and of Controllers Institute of America.

THE CALENDAR TODAY

At present there are 28 different forms a month can take depending upon the number of days in it and the day on which it begins. For example, January 1947 had four Saturdays and four Sundays. January 1948 had five Saturdays and four Sundays, while in 1949 January had five Saturdays and five Sundays. This variance creates real problems for businessmen when they compare one month's results with the previous month or with last year.

Today when you compare one January's results with another you may have to know how many Saturdays and how many Sundays were in each and also on what day of the week New Year's Day fell.

Suppose your Board of Directors meets on the fourth Wednesday of every month. The date can range between the 22nd and the 28th of the month with all that that implies in accounting and other deadlines.

In planning operations and comparing results, the incidence of holidays plays an important role. Whether Christmas falls on a Wednesday or a Saturday makes a tremendous amount of difference to Macy's and Gimbel's. Whether July 4 falls on a Monday or a Wednesday means much to Atlantic City and to Niagara Falls.

"Marooned" holidays are another bane of the businessman and the holidayer. Does anyone rejoice when Washington's Birthday falls on a Wednesday? Of course not. Half the joy of the day is lost in regret that it does not provide a long week end. When the holiday falls on a Tuesday, production schedules are often upset when workers rebel and make it a long, long week end.

The effect on productivity is twofold. As we all know from observing ourselves and others, there is always a slight letdown on Friday afternoon before a week end and it usually takes a while to get moving again Monday morning—startup time so to speak.

How much worse it is when you have a marooned holiday. You have two letdowns and two startups and everyone is miserable.

The second effect of a marooned holiday is inherent in the complex nature of our industrial machine. In process manufacturing the plant is often geared to work 24 hours a day for five or six days with a scheduled shutdown on the week end.

The cost of starting up and shutting down a great industrial plant or of paying premium wages to keep it operating are well known to production managers and controllers.

When manufacturing is on an assembly line the problem is hardly less serious. The time lost for machine adjustment and the inferior production resulting from absenteeism usually result in lower production and higher cost per unit.

Should a nation's holiday and its production of wealth both be marred because of a capricious calendar?

Recognizing that the present calendar creates difficulties in business and social life, you may wish to know what the alternatives are and what chance there is for a change in the calendar.

ALTERNATIVE PLANS

In the plan of the ingenious and simple 13-Month Calendar, every month begins on Sunday and ends on Saturday; each month has exactly four seven-day weeks—28 full days. The obvious advantages to business need not be labored here. It is sufficient to note that hundreds of businesses now superimpose a 13-month business calendar on our present calendar in order to reap the benefits of uniform accounting periods.

Enthusiasts for the no-vote 13-Month Calendar plan have a very real consolation. With the adoption of the World Calendar they can still use a 13-month

SURVEY OF MEMBERS OF CONTROLLERS INSTITUTE ON THE PRESENT CALENDAR

In 1950, John M. Firestone of the Department of Economics of the College of the City of New York, acting as a research consultant to the World Calendar Association, conducted a survey of members of Controllers Institute to determine the nature and extent of the problems created by the present calendar from the viewpoint of the businessman and to find out whether the proposed calendar would, in their opinion, eliminate the difficulties.

SUMMARY OF RESPONSES

DIFFICULTIES CAUSED BY PRESENT CALENDAR	NUMBER ANSWERING "YES" (based on 538 replies)		
	Causes Difficulties in Scheduling Sales or Production	*Causes Difficulties in Making Comparisons with Past*	*Could be Alleviated by a Stabilized Calendar*
a. Variation in the number of weekdays per month	232	412	419
b. Variation in the length of the quarters	144	308	310
c. "Grasshop" dates—never twice in succession on the same weekday	132	185	213
d. Variations from year to year of the day of the week on which a holiday occurs	196	284	315
e. "Marooned" days—(i.e. Monday preceding a Tuesday holiday)	264	204	298
f. Variable wage costs for hourly workers because of shifting holidays—i.e., overtime rates	146	180	228
g. Variable wage costs for workers paid on a weekly or monthly basis—unequal number of working days per pay period	132	228	274
h. Salesmen's expenses when forced to "layover" because of a midweek holiday	86	95	149
i. Cost involved in adjusting production schedules to midweek holidays	201	114	212
j. Interruptions in the flow of subassemblies and parts from suppliers interfering with the plant production schedule because of calendar irregularities	98	46	101
k. Losses resulting from ill-timed advertising because of calendar variations	26	22	45
l. Compliance with deadline requirements in monthly reports because due date falls on a certain day of the week	171	214	324

calendar for business purposes as they now do with the added advantages that the 13 months will fit exactly within the World Calendar and the year will always begin on a Sunday.

The World Calendar, like the 13-Month Calendar, recognizes that the cause of most of our calendar problems lies in the length of the solar year. It is about one and a quarter days longer than 52 weeks. The World Calendar disposes of the extra day and gives us a balanced calendar which will be the same every year.

The unique features of the World Calendar are apparent in the illustration accompanying this article.

Every January will begin on a Sunday and will end on a Tuesday. It will have 31 days of which 22 will be weekdays, 4 Saturdays, and 5 Sundays.

Every other month and every quarter will be fixed also. The first month of each quarter will have 31 days and the other two months will have 30 days. Each month will have 26 working days.

Each quarter will contain 91 days and exactly 13 weeks.

The World Calendar is perpetual so that new printings would be needed only to improve art work.

HIP-HIP-HOLIDAYS!

In achieving this happy result, the World Calendar incidentally gives us an extra holiday every year and two extra holidays on leap years because the only rational solution is to exclude all days over 364 from the normal year. This leaves 1.242216 days to dispose of. With the World Calendar a holiday is slipped between the end of the year and the beginning of the new year guaranteeing a three-day New Year's week end every year.

This holiday, known as Worldsday, "W" day, has no business significance.

Every fourth year a second W or Leapyear Day would be inserted between the end of June and the beginning of July providing a four-day week end if Independence Day is celebrated on July 2.

While it has been suggested that these W days be dedicated to World peace and understanding, the decision for us to do this would rest with the United States Congress. Congress might decide to reserve them for some national purpose. Perhaps some controllers might denominate the day falling at the end of the year as "Inventory Day"!

Mervyn Jones—no controller—has a different idea. Writing in *The New Statesman and Nation,* he says:

"It was already an excellent idea to start the year on a Sunday. Many a Scot, who has dragged himself with throbbing head to his London office, would be thankful for this alone. But gratitude will change to enthusiasm when that Scot learns that the year is to end with an extracalendrical day—a nimble carefree day, a sprite of a day, a dateless day whereon no bills may mature and no rent may fall due. And, of course, it is not only Scots who will gather at those extracalendrical parties promised us by the brainwave of the genial Abbe Mastrofini. There will be no trouble with the Lord's Day Observance Society, for Worldsday will not be a Sunday so much as a gloriously prolonged Saturday night. The whole proposal, if properly put across, has a superb appeal. There is a Rabelaisian grandeur of spirit about this cosmopolitan binge, these 36 hours of revelry resounding from pole to pole."

Marooned holidays are not automatically eliminated by the World Calendar but because all holidays are fixed on a particular date and day the problem can be met by moving a holiday. The change need only be made once and the matter is settled forever.

THE WORLD CALENDAR

	JANUARY							FEBRUARY							MARCH						
	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
FIRST QUARTER	1	2	3	4	5	6	7				1	2	3	4						1	2
	8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9
	15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
	22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
	29	30	31					26	27	28	29	30			24	25	26	27	28	29	30

	APRIL							MAY							JUNE							
	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
SECOND QUARTER	1	2	3	4	5	6	7				1	2	3	4						1	2	
	8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9	
	15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16	
	22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23	
	29	30	31					26	27	28	29	30			24	25	26	27	28	29	30	W

	JULY							AUGUST							SEPTEMBER						
	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
THIRD QUARTER	1	2	3	4	5	6	7				1	2	3	4						1	2
	8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9
	15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
	22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
	29	30	31					26	27	28	29	30			24	25	26	27	28	29	30

	OCTOBER							NOVEMBER							DECEMBER							
	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
FOURTH QUARTER	1	2	3	4	5	6	7				1	2	3	4						1	2	
	8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9	
	15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16	
	22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23	
	29	30	31					26	27	28	29	30			24	25	26	27	28	29	30	W

W (Worldsday, a World Holiday) equals 31 December (365th day) and follows 30 December every year.
W (Leapyear Day, another World Holiday) equals 31 June and follows 30 June in leap years.

- Every years is the same.
- The quarters are equal: each quarter has exactly 91 days, 13 weeks or 3 months: the four quarters are identical in form.
- Each month has 26 weekdays, plus Sundays.
- Each year begins on Sunday, 1 January; each working year begins on Monday, 2 January.
- Each quarter begins on Sunday, ends on Saturday.
- The calendar is stabilized and perpetual, by ending the year with a 365th day that follows 30 December each year, called Worldsday dated "W" or 31 December, a year-end world holiday. Leap-year day is similarly added at the end of the second quarter, called Leapyear Day dated "W" or 31 June, another world holiday in leap years.

Christmas under the World Calendar will fall on Monday every year giving most of us a three-day week end. Labor Day, of course, remains on Monday. July 4 will always fall on Wednesday—this holiday could be moved up to Monday, July 2, which happens to be the date the Declaration of Independence was passed by Congress.* On leap years, the July 2 week end would be four days long.

(Continued on page 386)

* John Adams, one of the authors, wrote to his wife on July 3, 1776:

"Yesterday the greatest question was decided which ever was debated in America; . . . A resolution was passed that those United Colonies are . . . free and independent states. The second day of July, 1776, will be the most memorable epocha in the history of America . . . it will be celebrated by succeeding generations as the great anniversary festival."

Pooled Trust Investments

FRB has amended its regulation to permit national banks, acting as trustees under qualified pension, profit-sharing, and stock bonus trusts, to make "collective investments" of such funds, provided each of the participating trusts is tax exempt and such action is specifically authorized by the trust instrument or by court order.

Excess Profits

Under the terms of Rev-Rule 55-376, in computing excess profits net income, an adjustment is required to be made for interest on borrowed capital even though (1) the so-called minimum excess profit credit of $25,000 is used, or (2) tax liability as computed by utilizing the alternative method permitted in the case of certain new corporations.

Vacation Pay

Revenue Ruling 54-608, relating to the accrual of vacation pay, will be applied only to taxable years ending after December 31, 1955, instead of years ending on or after June 30, 1955.

Excess Profits

Where a corporation distributes the stock of a wholly owned subsidiary to its two controlling corporations as dividends, the reduction in admissible assets does not provide funds to increase operating assets; accordingly, there is no resulting net capital addition.

The Managed Economy

Federal tax inducements, in the form of fast tax write-offs, are claimed to have provided 10,000 jobs in labor-surplus areas during the past 18 months. ODM has issued 45 certificates to defense contractors in labor-surplus areas.

Death Benefits

Payments made to widows of retired employes under a self-insured death benefits plan are deferred compensation, deductible by the employer in the year of payment; payments not in excess of $5,000 are excludable from the gross income of each widow.

Non-taxable Reorganizations

A non-taxable reorganization by an exchange of common stock will become effective even though some of the transferors' preferred stock, which was called for retirement prior to the exchange, had not been presented for redemption.

Government Spending

The adoption of private business methods to control spending would save the Government $4 billion a year, according to the Hoover Commission. The Commission urged that the Bureau of the Budget be given new powers and a bigger and better staff to do its job of controlling federal spending and to perform important management duties now subordinated to "budget mechanics." The Commission also urged basic changes in federal financing so that Congress would limit the practice of obligating money years in advance of actual payment.

Corporate Mergers

Where one corporation is merged with another during a taxable year, only the merged corporation is entitled to claim the full surtax exemption on its income tax return for the short period immediately preceding the merger.

Net Operating Loss Carryback

The Supreme Court of the United States has held that an accrual basis taxpayer may deduct only the excess profits taxes *accrued;* also, the amount accrued is to be determined with events known and determinable at the end of the tax year without reference to later events, such as renegotiation or carrybacks.

Debenture Sales

Interest on debentures sold by a corporation to increase its working capital and to provide for refunding of indebtedness and plant expansion is deductible, notwithstanding the temporary investment of a substantial portion of the borrowed funds in tax-exempt securities.

Small Business

The Small Business Agency, up through mid-June, has approved 1,511 loans totaling $77.7 million since it began loan operations September 30, 1953. Of these, 1,005 amounting to $55.7 million are bank-participation loans.

Bureau of Metamorphosis

The Foreign Operations Administration, which legally went out of business June 30, 1955, is still doing business at the same old stand but now known as the International Cooperation Administration. This agency, which is responsible for foreign aid, has undergone several name changes in the past. Originally known as the Marshall Plan, the agency first had the title, Economic Cooperation Administration. This was later switched to the Mutual Security Agency, then became FOA and is now ICA.—BENJAMIN R. MAKELA

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Atlanta

CARSON C. REEVES
Drennen Motor Company, Inc.
Birmingham

BURDETTE A. JOHNSON
NEGEA Service Corporation
Boston

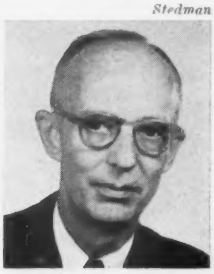
LEON A. RIDGWAY
Associated Seed Growers, Inc.
Bridgeport

GEORGE M. EBERT
Hard Manufacturing Company
Buffalo

BEAUFORD W. MAXEY
The Glidden Company
Cleveland

ARTHUR J. SOWERS
Univis Lens Company
Dayton

G. STEWART PHILLIPS
The Washington Post
District of Columbia



RICHARD N. ALLEN
Central Soya Co., Inc.
Fort Wayne

LEWIS F. JOLLY
Armstrong Rubber Manufacturing Co.
Iowa

1955-1956 PRESIDENTS OF CONTROLS OF CONTROLLERS INSTITUTE

Section two comprising 25 Control Presidents will be published in the September issue of THE CONTROLLER

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Kansas City

RUDOLPH OSTENGAARD
California Bank
Los Angeles

ROBERT S. HALL
Jefferson Island Salt Company
Louisville

WARREN S. WAGNER
The National Toddle House Corp.
Memphis

ERIC L. HAMILTON
Canadian Industries (1954) Limited
Montreal

JOHN C. SHEA
Whitney National Bank of New Orleans
New Orleans

STUART T. HENSHALL
Merck & Company, Inc.
Philadelphia

HARVEY C. HIGGERSON
The Central National Bank
Richmond

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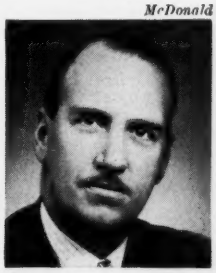
JOHN O. YEASTING
Boeing Airplane Co.
Seattle

MARK Z. HANLON
First Trust & Deposit Co.
Syracuse



ARTHUR R. MACCALLUM
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FREDERICK W. MANKE
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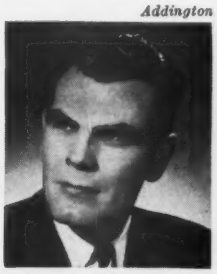

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A NEW TOOL FOR MANAGEMENT

An Index of Managerial Efficiency

Weldon M. Padgett

JUDGING FROM RESPONSES from many controllers and other corporate officers over several years, most of them have a "conversational knowledge" on the subject of breakeven points, and many have done a great amount of exploratory work in the development of such, but for one reason or another—usually multi-product complications—have never come up with anything that seems to have practical value. The last few years' issues of the *Accountants' Index* indicate that there has been almost as much discussion of breakeven points as of the weather, and the impression is that little more has been done about one than the other.

Excellent literature* on the broad aspects of breakeven point computations and usage is readily available, yet it appears that practical adaptation and usage of such articles by the readers is in almost inverse ratio to the excellence of the treatment of the subject. Is this because the pedagogical approach is so complicated and costly in application that accountants generally bog down before reaching a point where the results pay for the necessary effort?

*To name only a few: Lillian Doris, Corporate Treasurer's and Controller's Handbook (Prentice-Hall); Theodore Lang, Cost Accountant's Handbook (Roland Press); Glenn A. Welsch, article in October 1953 issue of THE CONTROLLER; George M. Blackett, article, Financial Management Series No. 91 (A.M.A.); Fred Gardner, various articles and publications.

For example, to use the breakeven point study for all the purposes listed by Doris might require a great amount of time in the development of the underlying data. This is not to say that such expenditure would not prove to be worth while eventually—in fact, there is every reason to believe it would. The point is, it is not necessary to be fastidious in computing breakeven points for the particular purpose of giving management an *Index of Managerial Efficiency* for any operation, plant, or area for which reasonably reliable expense data are available.

Having computed the breakeven point from actual results of operations for the period (fiscal quarter) just ended, for each area of responsibility (geographic divisions in our case), we then calculate the ratio of *Actual Sales* to *Sales Necessary to Break Even*. This index, we call the *"A to N" Ratio*. Comparison of the ratio for this quarter with the ratio for prior quarters tells immediately whether that particular division manager gained or lost in efficiency, over all. If his A to N ratio improved and his sales represented a satisfactory percentage of his potential sales, there is no need to look further into the details of his operations.

Comparison of the A to N ratios of the various division managers is a very interesting and valuable study. True, it is the trend rather than exact comparisons that is important, and lateral comparisons must be made cautiously bearing in mind circumstances, conditions, and decisions over which the present manager of a division may have had no control.

Budgets and projections are prepared in a manner to permit establishing the desired A to N ratio for each division and for the corporation as a whole. Actual performance each quarter produces an A to N ratio that is compared with the budgeted goal. Any deficiency is traced immediately to its cause which, of course, must be a deficiency in sales, an excess in primarily variable expenses, an excess in primarily fixed expenses, or combinations of any two or all three.

Because projections and budgets can usually be established in the knowledge that relatively the difference between the minimum and maximum that will occur is fairly small, many expenses which are *theoretically variable* in text-book classification, are actually *fixed* for practical purposes.

With this point in mind, and the knowledge that consistency in expense classification from period to period is more important for A to N ratio computation purposes than fastidiousness as to how much is theoretically variable and how much fixed, it becomes quite simple to compute the ratios for the various managers, with very little clerical effort.

Presenting comparative A to N ratios regularly by months or quarters (depending upon the concern) for each plant or department or division soon leads to interest in, and usage of the data. This usually stimulates interest in using the breakeven point data for many of the other purposes for which they are valuable, and thus justifies the expenditure of clerical effort for refinements in the analyses that were not necessary for purposes of computing only the A to N ratios.

For computing the desired or budget A to N ratio, it is necessary to establish, above the breakeven point, the point at which sales will take care of all financial demands such as profit sharing, long-term debt reduction, new cash for fixed assets,

WELDON M. PADGETT, CPA and member of Controllers Institute, is controller of Schlumberger Well Surveying Corporation, Houston, Texas. Previously, he was assistant secretary and office manager of Pan American Pipe Line and Gas Companies. Previous experience includes work with Santa Fe Railway Co., Shell Petroleum Corp., and Tide Water Associated Oil Co. During the war years he was instructor, University of Houston ESMWT Accounting Courses. He is a member of the American Petroleum Institute, the American Institute of Accountants and Tax Executives Institute.

dividends, desired additions to working capital, etc., after taxes on income. This we term our "financial breakeven point" as opposed to the simple breakeven point which would not provide cash for any of these items.

The volume of total corporation sales necessary at the financial breakeven point divided by the volume at the simple breakeven point produces the minimum A to N goal for that budget period.

Theoretically, the total corporation minimum should be the minimum for each division, plant, etc. In practice it cannot be. If, for example, the corporation's actual A to N ratio for the prior period were 1.47, it means that some divisions or plants were below that and some above it. If the goal is 1.62, certainly the weak sisters must be assisted in bringing their own ratios up closer to that figure, while those already above will be careful to avoid any decrease since such would immediately attract management's attention to an indication of loss of business efficiency requiring prompt investigation.

The comparative A to N ratios are usable for almost any type of business activity. They may be developed as easily for multi-product operations as for single product, and are just as usable and comparable. True, sales-mix changes will affect the ratio, but this is a fact of life and is one of the responsibilities of the responsible manager; and the A to N ratio is intended to be one usable composite index of managerial business efficiency combining all elements.

It facilitates computation in some cases if sales (business activity) can be expressed in units as well as dollars. Usually a logical unit can be found—jobs, MCF, thousands of barrel miles, tons, barrels of products refined, manhours, or any unit of measure for which reasonably accurate records are maintained on a consistent basis.

The possibility that comparative A to N ratios might serve as a basis for an incentive bonus system for managers, is worth exploring. It appears to provide an index completely immune to the disadvantages, disparities, and dangers inherent in almost all other bases.

Breakeven analysis may seem unnecessary during high profit periods, and therein lies the danger that the breakeven point will be permitted to creep up to so high a level that small declines in business activity may have surprisingly disastrous results.

The controller who does not have the time and staff to develop a complete breakeven analysis, or who finds that the complexities of his company's operations make it appear impossible to analyze them to the extent recommended in text-books for all purposes, may find that the practical, simplified approach sufficient to produce comparative A to N ratios, will give his company's management a tool that will prove to be extremely valuable.

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OZAMATIC *(left) is a table model, handles sheets as wide as 16", and can make up to 1000 prints an hour.*

A Variable Budget Installation for Control Purposes *(Continued from page 372)*

OPERATING REPORT FORM

MONTH Expense	Budget	Variance		YEAR TO DATE Variance	Budget	Expense
			Handling			
			Delivery			
			Selling			
			Service			
			Administration			
			Total Expense			

BUDGET AND ACTUAL EXPENSE
OF THE DIVISIONS FOR 12 MONTHS OF 1953

Division	Budget	Actual Expense
Boston	$902,771	$904,688
New York	386,794	354,785
Connecticut	171,610	164,503
Long Island, North	162,102	163,625
Long Island, South	932,236	930,100
Westchester	241,542	246,910

where the variance of actual from budget indicated attention was needed.

Looking towards the future, the operating statement was designed to include budget and variance columns for unit sales and for gross profits so that actual results could be compared with planned results in all phases of activity.

SELLING THE BUDGETS TO OPERATING PERSONNEL

It has been stated that corporate management had willingly accepted the variable budget principle, and had cooperated wholeheartedly in its development. It was realized, however, that a great deal of good could be obtained by the use of the budgets at all levels of management. Consequently, a very thorough program was developed to present the new concept to operating personnel.

A team consisting of the parent company controller, the executive vice president of the retail corporation, and two staff assistants developed an explanatory and sales approach. Meetings were arranged in various localities to which all supervisory personnel were invited. The controller presented the financial problems involved and the need for central financial control. The executive vice president presented the need for future planning and the advantages of centralized sales and operational control. The staff assistants explained in detail the methods used to arrive at the budgets, the new form and use of the operating statements, and the ways in which local supervisors could use the budgets for their locations.

The meetings obtained very good acceptance of the new system, the results of which are described below.

USES OF THE BUDGET

Immediately after the installation of the budgets, management asked for forecasts of results for the coming year. Of the three factors involved, expenses, unit sales, and gross margins, only the expense budget was at that time on any sort of firm basis. However, the budget department made educated guesses as to sales and gross margins. (In the past, attempts had been made to have such "guesstimates" made by local managers. However, as they had neither the time nor the inclination for the paper work required, it was decided to have the staff prepare all estimates which were then taken up for approval with field personnel.) Expenses were projected on the basis of the variable budgets and a forecast developed for each location. In conjunction with the forecasts, break-even figures were developed. These were expressed in unit sales and were based on the same assumed gross margins as used in the forecasts. Although at this time both the forecasts and break-even figures were admittedly inaccurate, they became the basis of forward planning by retail top management.

Immediately after the issuance of the first monthly operating statements, the functioning of management by exception became active. The reports were first analyzed by the executive vice president. Unexplainable variances were noted, and someone from the executive vice president's office visited each location where a major variance appeared. There, together with the local management, the detail expenses were thoroughly analyzed. Invariably, the cause of the variance was found. In some cases the extra expense proved to be unusual and unavoidable.

In many cases operating errors were brought to light allowing local management to take corrective action. The most common situation discovered was failure to reduce personnel as rapidly as seasonal changes affected volume. A corollary benefit derived from the close examination of the detail expenses was a much greater cost consciousness on the part of local management.

Budget control was not 100% effective at the local level. There were cases of resentment, and some cases where figures were merely confusing to the personalities involved. By and large, however, the system was most effective.

It is significant that in a report to the president, covering eight months' operations of 1953, the executive vice president stated that approximately $190,000 had been saved in the operating divisions. This

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represented 8½% of total expense. The budgets were a major management tool in that accomplishment.

MAINTENANCE OF ACCURACY

The variable budgets as originally developed proved exceptionally accurate, as indicated by the table listing Budget and Actual Expense of the divisions for 12 months of 1953.

Constant attention was required to retain that accuracy. Detail expenses at each location were reviewed quarterly, and adjustments in the budgets made where necessary. A policy was followed of changing the budgets only when the expense changes were beyond the control of local management, such as taxes, depreciation items, rents, union wages. When expenses were affected by items such as truck operating costs or labor effectiveness, no change was made. Thus, the monthly reporting of actual expense against budget continued as a gauge of management effectiveness.

DEVELOPMENT OF SALES FORECASTS AND GROSS MARGIN ESTIMATES

After the successful installation of expense budgets, attention was turned towards a more accurate forecast of unit sales. Four steps were taken to develop the sales projection.

First, a comparison of weather conditions, as expressed in degree days, was made with normal weather and the resulting factor applied as a multiplier against the past 12 months' sales.

Secondly, a trend chart was made for each location, as illustrated in *Figure V*. Using the apparent trend line as a basis, a change factor was calculated and applied.

Thirdly, known sales gains or losses not fully discounted by the trend line were calculated and additions or subtractions made.

Lastly, management was consulted concerning sales plans for the coming 12 months. Where those sales plans indicated a change from past practices, an evaluation of the probable effect was made and the sales projection adjusted accordingly. The resulting figures were taken to be the indicated sales volume for the ensuing 12 months.

It will be noted that no market analysis was made. It was felt that the results obtained from such studies would not justify the manpower needed. The trend charts were considered sufficiently indicative of the general conditions in each market.

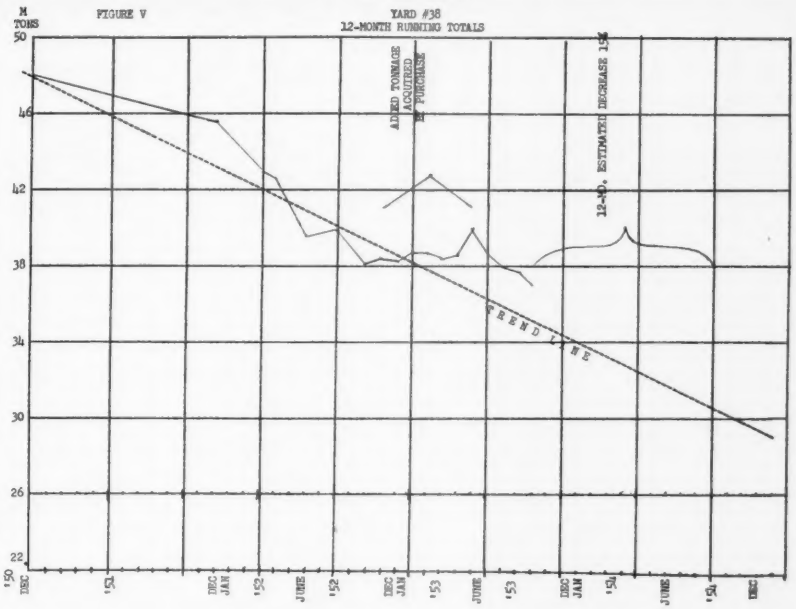
Upon the completion of sales forecasts a start was made on estimating gross margins. No very scientific method was developed, as the individual factors involved were impossible to pin down. However, a study was made of the factors involved, wholesale volume and price trends, retail volume trends, historical seasonal patterns, and special local conditions such as the pricing policies of competitive dealers.

SALES TREND GRAPH

FIGURE V

YARD #38

12-MONTH RUNNING TOTALS



Historical margins were available by months. These were considered in the light of the information available, adjusted, and a projection made of estimated margins for the coming year.

THE COMPILATION OF PROFIT-AND-LOSS FORECASTS

With the completion of margin estimates, the three factors determining profit or loss—expense, sales volume, and gross margins—were available for estimating purposes. Monthly forecasts were developed for 12 months in advance, and grouped into quarterly periods. A routine was established for the review of the forecasts each quarter, and for estimating the like quarter of the following year. Thus, management would have before it at all times estimated profit-and-loss statements for the four coming quarters.

DRAWBACK TO COMPLETE CENTRALIZATION

Before concluding, one drawback which soon appeared should be pointed out. Under the accounting procedures in use, monthly results were not available for management analysis until the fourth week of the following month. This is too late for adequate operational control.

The answer to the problem seems to be in a relaxation of the requirement of centralization of all accounting functions. Accounting detail could be performed much more expeditiously at the division, rather than at the corporate, level. Division reports could then be forwarded to the central office for consolidation. This method would lose some degree of standardization and would tend to increase accounting costs. However, accounting practices, having once been standardized, could fairly readily be maintained on a standard system. The added expense would be more than offset by savings accomplished through closer management control.

CONCLUSION

Certain points stand out in the development and use of the budgets:

First, the success attained was due largely to the close relationship developed between the controller's office and operating personnel. Line people were "sold" on the system, and at every stage of its development operating management was consulted. In its use, the staff department provided the information. Action taken on that information was left where it belongs, with line management.

Secondly, a multiplicity of uses was obtained. The budgets provided:

Management by exception; a close study of costs at all supervisory levels; break-even charts to highlight problem locations; volume forecasts for production and distribution purposes; and extended profit-and-loss forecasts for top management consideration.

Thirdly, the budgets proved as useful in a declining industry as they had been proved to be elsewhere in expanding ones.

Lastly, the forecasts, when constructed on a firm basis, provided top management with the look-ahead figures which it needed to finalize the decision to liquidate the entire retail activity for the best interests of the stockholders.

The Controller's Interest in the World Calendar *(Continued from page 379)*

Washington's Birthday, Memorial Day, Columbus Day, and Thanksgiving are other holidays which should be moved to Mondays to give them the greatest recreational value and to make them more meaningful tributes to our national heroes.

WORKING-DAY ANGLES

The World Calendar, because it is perpetual or repetitive, offers other business advantages which are particularly evident to traffic managers, marketing men, transportation executives, and school administrators.

All train, plane, and bus schedules now must be changed every major holiday to accommodate passenger traffic. This also affects train freight schedules. With holidays fixed these transportation schedules would be fixed also. Changes would be necessary only as indicated by accumulated experience.

In the same way, an advertising manager could plan a detailed media schedule one year and change it the following year only to improve it, not to adjust it to wandering holidays.

The World Calendar will mean a significant saving to advertising agencies. This is because newspapers are published by the date but the most important single factor of a newspaper ad, aside from its content, is the day of the week on which the advertisement appears. Each weekday has its own customers; food advertisements are considered most effective on Thursdays and Fridays, resort ads on Tuesdays and Sundays, real estate on Fridays and Sundays, and so on.

With the World Calendar, constant rechecking of day and date on insertion orders would no longer be necessary because a date would always fall on the same day of the week.

Schools and universities will benefit from the World Calendar. School normally begins after Labor Day which floats within the first week of September. The Christmas closing depends upon the day of the week on which December 25 falls.

School administrators each summer are hard pressed to devise a curriculum to accommodate a school year which has no fixed beginning and no established holidays and still get in the mandatory number of teaching days.

With a fixed calendar much time and money now devoted to this annual, unproductive chore will be released for a better purpose. School officials will be able to plan a course of study, set the opening and closing dates and allow for holidays. They will never have to change it because Labor Day comes late or because Christmas falls on a Wednesday.

RELATED READING

Support Is Urged for the World Calendar Resolution
THE CONTROLLER
October 1950

Journal of Calendar Reform
Published quarterly by
THE WORLD CALENDAR ASSOCIATION
New York

Of Time and the Calendar
By Elisabeth Achelis
President of the World Calendar Association
Hermitage House, New York

PROSPECTS FOR A CHANGE

What are the prospects for adoption of the World Calendar? No single authority can decree a change in the calendar yet the aim is a common standard for the world. It should replace the Julian, Gregorian and the dozens of other calendars in use today.

A proposal to adopt the World Calendar is now before the United Nations. It is not expected that action will be taken in time to make the World Calendar effective in 1956—a convenient time because both the World Calendar and the current calendar begin on Sunday.

World Calendar advocates have 1961 as a target date as it is the next equally suitable year.

Opposition to the World Calendar is of two kinds. Certain religious groups, but none of the largest ones, believe that the exclusion of the odd days from the normal calendar year will upset the observance of the Sabbath because once each year, and twice in leap years, seven days will intervene between Sundays.

Religious groups supporting the change reply first, that the "extra" days outside the year can be used for religious purposes; and second (a Christian reply), that Jesus said the Sabbath was made for man and not man for the Sabbath.

The second kind of opposition, and the most effective, is inertia. Many people say "leave well enough alone" without ever considering whether the present calendar is well enough. The attitude of our State Department is that it will do nothing until public opinion and the Congress express approval of the World Calendar.

Who are the backers of the World Calendar? First there is the World Calendar Association in the United States. This group, with offices at 630 Fifth Avenue, New York 20, N. Y., is a leader in the movement for the calendar change and will gladly send material on the World Calendar to those who request it.

Business support of the World Calendar has been expressed through numerous Chambers of Commerce; through the Consulting Management Engineers Association; through the Controllers Congress, National Retail Dry Goods Association, and through the American Institute of Accountants. Many scientific bodies support the World Calendar.

It is improbable, however, that the United States Government will support the World Calendar unless the business community itself recognizes its many advantages and presses hard for adoption.

The decision, therefore, is in your hands. To exercise a positive influence* you should study the merits of the World Calendar and then let your Congressman know how you feel about it.

---

* Two Controls of Controllers Institute—Pittsburgh and Seattle—have endorsed the World Calendar as a means "to meet more adequately the requirements of the modern world, particularly in facilitating simpler and more accurate procedures in management planning in accounting."

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LONG SHOTS & CLOSEUPS WITH THE CONTROLLER CAMERA

Washington, D.C.

TOP LEFT

At a luncheon following a briefing session in the U.S. Air Force's Executive Development Program and Financial Management System (see page 365 of this issue), on April 19, in the Pentagon Building, the camera caught the following men:

Major General F. A. Bogart, director of the Budget, DCS/C; Edward J. Hanley, president of Allegheny Ludlum Steel Corporation, Pittsburgh, Pa., guest speaker at the briefing; Major General R. O. Cork, assistant deputy chief of staff, Comptroller; and Honorable Hyde Gillette, deputy assistant secretary of the Air Force—Budget and Program Management.

TOP RIGHT

On April 12, Raymond G. Lochiel, vice president and comptroller of Capital Air Lines, Washington, D. C., was the guest speaker at the session. Shaking hands with him is Lieutenant General C. B. Stone.

LOWER LEFT

On April 5, Edwin E. McConnell, treasurer, Norton Company, Worcester, Mass., guest speaker at that session, is shown (right) with E. A. Karu (center) and Brigadier General W. I. Miller, director of Accounting (left).

LOWER RIGHT

On March 29 K. Y. Siddall, vice president and comptroller, Procter and Gamble Company, Cincinnati, Ohio (right), guest speaker at that session, shaking hands with Major General R. O. Cork (left).

All four guest speakers at the briefings are members of Controllers Institute. Mr. McConnell served as national president, 1945-46, and represented the Institute on the National Advisory Council on Federal Reports from 1943-49 and 1951-54. In 1953 he was appointed that Council's national chairman. Mr. Siddall was national president, 1948-49; chairman, National Board of Directors, 1949-50; and a trustee of Controllership Foundation, 1952-54.

Mr. Lochiel, a past president of the District of Columbia Control of Controllers Institute, was recently elected a national director for a three-year period beginning September 1, representing Region 3.

LONG SHOTS & CLOSEUPS WITH THE CONTROLLER CAMERA

TOP RIGHT

Toronto, Ontario

Control officers and directors who met during the Eastern Conference of Controllers Institute included in the group are: David F. Devine, president of the new Long Island Control, chairman of the meeting; Ernest J. Mueten, vice president, Region I; Donald P. Jones, an incoming director, Region III, 1955-56; and James A. Trainor, also incoming director from Region IV.

CENTER RIGHT

Los Angeles, California

On May 19, 1955 the members of the Los Angeles Control of Controllers Institute presented its first annual award of recognition of merit to seniors with accounting majors at University of Southern California, Los Angeles State, University of California at Los Angeles, and Loyola.

Seated left to right are the four students: Messrs. Covey, Jones, Kite and Dorr representing the above universities in the order named. Standing behind the students are their respective professors, Messrs. Meigs, Francis, Carson, and Brown. At the left is Raymond O. Hill, controller, Cannon Electric Company, Los Angeles, who is chairman of the Education Committee of the Control. To the right is Fred W. Mill, assistant secretary-controller, The National Supply Company, Torrance, California, who is president of the Los Angeles Control, 1954-1955.

BOTTOM LEFT

Syracuse, N. Y.

The Syracuse Control of Controllers Institute sponsored jointly with LeMoyne College and the College of Business Administration of Syracuse University a controllership-educational forum on May 17 on the Syracuse University campus.

Among the participants *(left to right)* were: Reverend Francis J. Fallon, S.J., dean of LeMoyne College; Roderic M. Wilder, president of the Syracuse Control; Hans C. Todt, moderator of the forum; and Morris E. Hurley, dean of the College of Business Administration, Syracuse University.

Mr. Wilder is controller of Pass & Seymour, Inc., Syracuse, and Mr. Todt is comptroller of Bristol Laboratories, Inc., Syracuse.

Appointments in Other Financial Organizations

NYSSCPA

Max Ackerman, treasurer, National Container Corporation, New York, is one of 22 men appointed to the Committee on Industry and Commerce of the New York State Society of Public Accountants.

A. J. Ammon, vice president and comptroller, American Book-Stratford Press, Inc., New York, was appointed to two committees of the same society: the 14-member Committee on Cost Accounting and Inventory Methods and the nine-member Committee on Budgets and Budgetary Controls.

Also serving on the Society's Committee on Budgets and Budgetary Control is Alfred O. P. Leubert, secretary and controller, Old Town Corporation, Brooklyn, N. Y.

Dr. John J. W. Neuner, professor of accounting, the City College Bernard M. Baruch School of Business and Public Administration, New York, was also appointed to the Society's Committee on Cost Accounting and Inventory Methods.

MAPI

James D. Vaughan, vice president of ALCO Products, Incorporated, New York, has been re-elected treasurer of Machinery and Allied Products Institute for the 1955-56 term.

NOTE

All men mentioned above are members of Controllers Institute of America.

GAO

Karney A. Brasfield has been appointed as an assistant to the comptroller general of the United States, Joseph Campbell. Mr. Brasfield will work with Robert F. Keller, also an assistant to the comptroller general, on Congressional and interagency relationships of the General Accounting Office.

In his 25th year of government service, Mr. Brasfield leaves the position of deputy director of the Accounting Systems Division of the General Accounting Office to assume his new duties. Prior to coming with the GAO in 1952, he served as controller of the Commodity Credit Corporation and as comptroller of the Farm Credit Administration.

Mr. Brasfield was recently elected president of the Federal Government Accountants Association. He succeeds Harry J. Trainor, assistant commissioner of Internal Revenue.

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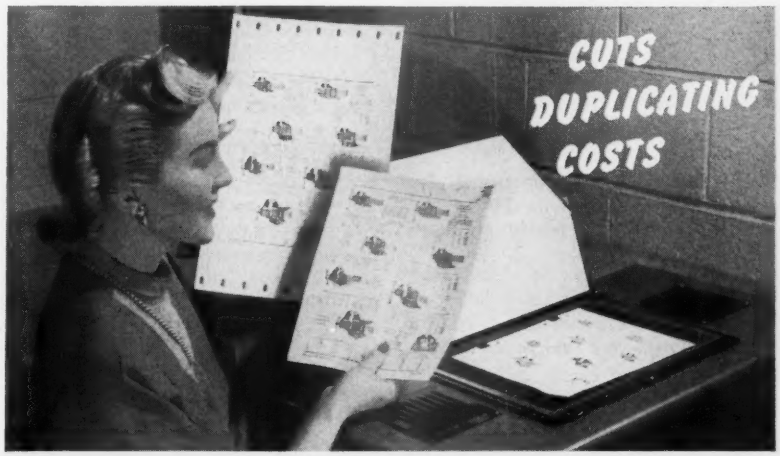

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Productivity: Its Meaning, Its Measurement, Its Industrial Future

(Continued from page 376)

And, consequently, the percentage margin over labor costs was 60.605% within narrow plus or minus fluctuations. In brief, management's share of production value tends to be a near-constant, just as does labor's share of production.

THE LAW OF INDUSTRY

Can it happen here? In other words, is such a thing possible in my business? I realize that your first impression is to say "impossible."

Let me hasten to say, therefore, that I have examined scores of different industries and firms, both here and in Europe. Then I emphasize and underscore this observation:

It is a rare firm indeed which does not tend continuously to pay to labor a nearly constant share of its production value.

In other words, pay is proportionate to economic productivity—and all increases in money wages are proportionate to increases in economic productivity. You may want to look again at *Exhibit II,* showing the U. S. Manufacturing experience since 1914. Regardless of boom and depression, war and peace, inflation or deflation, Republicans or Democrats, this virtual law of industry continues to operate.

Now you will have one very serious objection to this; or at least some of your associates among the industrial engineers will possibly have some objections. They will tell you, "But that is impossible; look at all the labor-savings we have made over the years."

You as controllers may be inclined to reserve judgment until you ask "Where are those labor-savings?" You and I know full well that improved equipment, more capital investment, better methods and better product design, have indeed tended to cut the labor-time per unit of product. There have been time-savings. I figure that, on the average, industry in the past five years has cut labor-time about 20%; in the past 40 years, it has cut labor-time per unit by the almost unbelievable figure of 70%, as compared to 1914. That is why some automobile engineers have said that if we made a modern car by the methods and at the productivity rate of the year 1914, the car selling for $3,000 today would have to sell for $30,000 of the same kind!

In one plant in the Midwest, not automotive, the time-and-motion-study engineers showed me conclusively that they had cut labor-time in a five-year period by more than 20%. Nonetheless, their wages remained almost precisely the same percentage to Production Value as before—the range of variation was less than one-half of one percentage point.

Why is this? The reason will at once occur to you. We make savings in labor-time on a piecemeal basis, first in one operation and then in another. But we make wage-rate changes "across the board" and we do it almost every year. On the whole, industry raises hourly wage rates almost twice as fast as it can *decrease* labor-time per unit of product.

If this were not the case, competition would prevent prices from rising at all. That is, if wage-rate increases were limited strictly to improvements in physical-unit productivity, prices would tend to remain stable. And, if there were not improvements in that respect, prices would rise at practically the exact same rate as the increases in hourly wage rates. They would have to, or industry would become bankrupt.

So, as a sort of compensating mechanism, our private enterprise system strikes a balance; it ends up by paying labor in proportion to the realized market worth of the conversion process, in proportion to Production Value. And it also ends up by paying management on exactly the same principle, a virtually constant share of production value. (See *Exhibit III.*)

It is well that this is so, gentlemen. For consider what would happen if it were not so.

Either total wages would not rise as fast as production values, or they would rise faster. If total wage payments lag behind production value, becoming less than 39% or say 29% or 19% or 9%, then somewhere along that road, no one would work for us. We would indeed have labor troubles; we might be fortunate if we did not have a revolution.

On the other hand, if wages rise from 39% to 49% to 59% and perhaps to 89% or 99% of Production Value, then somewhere along that road there would not be anyone to work for—most firms would be bankrupt.

In brief, any persistent reduction in management's share of production would diminish the incentive for managers and owners to continue in business. And likewise, any persistent reduction in labor's share of production would diminish labor's incentive to work but probably add tremendously to labor's incentive (and reason) for quitting and even for striking, or worse.

It is a very good thing indeed that we have this wonderful compensating balance in our private enterprise system—that pay is proportionate to production value.

For purposes of over-all business control, and for intelligent compensation pol-

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icies and even for collective bargaining, this measure of productivity can be one of management's most useful tools. It gives a meaning to productivity that even the most illiterate worker can easily grasp. All he needs to know is how to count money.

PRODUCTIVITY— ITS INDUSTRIAL FUTURE

What can we do with this measure of productivity? The uses are almost unlimited; let me cite a few, perhaps in a somewhat different order than you are now thinking:

First, and probably foremost, this principle of share of production spikes forever the doctrine of Karl Marx. That doctrine was to the effect that under private capitalism, the condition of the worker tends always to become worse and worse; that prices always rise faster than wages, or wages fall faster than prices decline.

If you will look again at *Exhibit I,* you will see that this is not true in either Canada or the United States; quite the contrary. Once this fact becomes known throughout industry, and among working men and women, we need have no fear of communism and socialism. In those types of countries, note that wages lag behind prices, or at least do not rise faster than prices. It is an exclusive characteristic of private capitalism that wage earnings rise faster than prices. This truth is an incentive for wage earners to actively support and work for private capitalism's continuance.

The second use of this principle is that it is a perfectly natural, understandable and predictable basis for compensating workers, and for winning greater cooperation with management in raising productivity. Wherever we offer to pay labor its historic share of production, we have an immediate incentive for labor to help us in management to increase production value per man-hour. This plan, generally known as the Rucker Plan, has been used for periods of one to 16 years, in a varied list of industries in the United States, Canada, Puerto Rico, Germany and England.

A third use of this measure, even without installing the Rucker Plan, is that of a management measure of commercial productivity and a guide in collective bargaining. How often do we hear management condemning a union's demands; and declaring flatly that it will not raise wage rates? And how often, after a strike of days or weeks, does management settle at some higher figure, with or without going to arbitration?

What's the point of all this foolishness? Either we have figures showing what we can do in the first place, or we don't have them in the second place either. Then why "go to war" with our help? To me it is simpler, and provably so, to do this:

1. Find our standard "labor share of production";
2. Compare the present year's score and note any deviation;
3. Then add in the union's demand and see what increase in the share will result; and
4. Then you know that in order to restore the balance you must
   a. Increase prices;
   b. Increase productivity; or
   c. Bargain down the union demand; or
   d. Effect some combination of all three.

It should not be too difficult to estimate then what proportion of the total needs to be accounted for by the three elements. In more than one instance personally known to me, management has had the active help of the union in working out the final solution. In two instances, the union volunteered a statement to the effect that "we don't want any contract changes that will make it harder to get business from the customer."

The principle here outlined serves to broaden the area of facts known to labor and management and to narrow down the area of guesswork and opinion. I am encouraged to believe that its future in that respect alone is a bright one. I know of no other approach that equals it for simplicity and ease of understanding by all concerned,—and so appealing to the innate common sense of people.

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Plant and Equipment Expenditures of U.S. Business, 1955

BUSINESSMEN have programmed substantial increases in plant and equipment expenditures in the second and third quarters of this year from the first quarter rate, the Securities and Exchange Commission and the Department of Commerce report. Reports received in late April and May in the joint survey indicate that business firms have scheduled capital outlays at seasonally adjusted annual rates of $27.9 billion and $28.8 billion in the second and third quarters as compared with a first quarter rate of $25.6 billion. The rate of expenditure in the third quarter is as high as that in the peak third quarter of 1953. Since that period, expenditures had declined steadily to the low of the first quarter of this year. If the planned programs are realized, capital outlays for the first three quarters of this year will be moderately above the corresponding period of last year.

The current survey finds all major industries scheduling sizable increases in their rates of capital investment between the first and third quarters of this year. After seasonal allowances, capital outlays projected by manufacturing, nonrail transportation and commercial companies are about 10 per cent higher than actual expenditures in the first three months; even larger relative increases are expected by railroad, public utility and mining companies.

Manufacturers as a group have scheduled additions to productive facilities in the first nine months of this year at a rate moderately below the corresponding period of 1954, although the third quarter is expected to exceed the year-ago quarter. Plans for larger outlays during 1955 are pervasive over a broad industrial front, with durable-goods producers as a whole anticipating a relatively larger increase than the nondurable-goods group.

The largest increases from early 1955 spending rates are anticipated by the steel, nonferrous metals, motor vehicle and other transportation equipment industries; with the exception of motor vehicles, these groups in recent years had experienced the largest relative cutbacks from earlier peaks in fixed investment rates. Among nondurable-goods producers, the most rapidly rising programs this year are reported by petroleum, chemicals and paper companies. The former industry has scheduled outlays of about $2 billion in the first three quarters of 1955—a total higher than that in the comparable period of any previous year. Food and beverages was the only major manufacturing group expecting third quarter purchases of plant and equipment to be appreciably less than the third quarter of 1954.

In the nonmanufacturing area, commercial companies expect the steady rising trend in their plant and equipment expenditures to continue through the third quarter. Electric power companies anticipate moderate expansion in their capital programs this spring and summer, while gas companies expect substantial increases in investment this year in contrast to the past year's down trend. In large part this reflects the increased gas pipe-line program now in progress.

The basic data were derived from reports submitted by corporations registered with the Securities and Exchange Commission and by a large sample of nonregistered manufacturing and trade companies, unincorporated as well as corporate, reporting to the Department of Commerce. The estimates presented are universe totals based on the sample data.

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Outlook for Capital Goods

The postwar boom in capital goods has apparently not overreached itself and a rising level of capital installations should be sustainable in the future, according to the results of a study conducted by the Machinery and Allied Products Institute. This study of the present position of capital goods is the result of four separate tests. These involve a comparison of present installations and stocks with the levels indicated by projecting past trends, first in dollars at constant (1953) prices, and then as ratios to the national product.

The results of the four tests, as summarized by MAPI, are as follows:

1. In relation to the long-term trends prevailing before the depression, postwar *plant* installations have been running consistently low, while *equipment* installation rates have generally exceeded trend.

2. The same basic pattern of deviations from trend emerges when postwar installation rates are expressed as a percentage of privately produced gross national product.

3. Stocks of both categories of capital goods have been below their trend projections throughout the postwar period and are still below them.

4. When these stocks are related to the private gross national product, the ratios of stocks to the output are also below the projection of their pre-depression trends.

MAPI estimates the annual requirements for plant and equipment installations over the next ten years (1955-1965) on the basis of various alternative assumptions as to the growth rates of the capital stock during this period. They indicate that on the most plausible assumptions requirements for both plant and equipment will rise by 50 per cent over the next decade.

Corporate Giving for Education

Corporate gifts to educational institutions have been carried out for a number of years, but the opportunity for corporations to make such donations has been increased since the 1953 New Jersey Court ruling, in a stockholder's suit, that a corporation can contribute its funds to an educational institution within reasonable limits. During 1953-54, corporations gave about $70 million to education and it is anticipated that they will be called upon to furnish a substantial part of the $5.5 billion the schools will need during the next 10 years.

According to data released by the Council for Financial Aid to Education, the dollar amount of corporate contributions to all health, welfare, religious, educational and similar causes has increased fairly steadily from $30 million in 1936 to $399 million in 1952. Companies normally aid the private four-year accredited schools, universities and technological schools and give to a lesser degree to the tax-supported universities and junior colleges. Many corporations, the survey also pointed out, prefer to support higher education through pool funds rather than to make allotments to specific schools.

United States Steel Foundation will give $1.1 million to colleges and universities in 43 states during 1955. This program will provide funds to 160 colleges and universities that were not included in the Foundation's aid to education project last year and bring the total of educational grants to more than 400 academic institutions. Of the entire amount slated to be given in 1955, $500,000 will be for capital grants, $480,000 for operating grants and $72,000 for 10 graduate fellowships. All gifts under the $480,000 for operating grants will be unrestricted.

DATA ON CORPORATE DONATIONS TO ALL TYPES OF ACTIVITIES FOR THE YEAR 1951

Asset Class	*Contributions* Amount	*% Net Taxable Income*
Under $50,000	$ 3,764,000	4.39
50,000 under 100,000	5,292,000	1.25
100,000 under 250,000	16,112,000	1.30
250,000 under 500,000	19,083,000	1.35
500,000 under 1,000,000	23,706,000	1.32
1,000,000 under 5,000,000	68,460,000	1.29
5,000,000 under 10,000,000	28,545,000	1.13
10,000,000 under 50,000,000	66,177,000	0.92
50,000,000 under 100,000,000	23,135,000	0.71
100,000,000 and over	86,345,000	0.43

Source: Russell Sage Foundation from U.S. Treasury Data.

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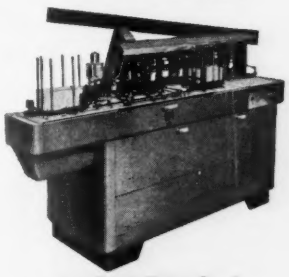

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NEW RAPID TAX DEPRECIATION— HOW TO USE IT PROFITABLY*

By Willard F. Stanley

Reviewed by W. J. BARNWELL
Assistant Treasurer
Colonial Stores Incorporated
Norfolk, Virginia

This work will undoubtedly prove of substantial value and interest to all taxpayers who are seeking to determine their rights, privileges and possible benefits under the new provisions of Section 167 of the Internal Revenue Code of 1954, relating to accelerated depreciation.

Certain highlights of the nature and scope of this new book are outlined in the following brief resume of its contents:

1. YOUR TAX RIGHTS IN SELECTING A DEPRECIATION METHOD

Partial contents of this section are:

a. A statement of the intent of Congress in writing the new provisions for accelerated depreciation into the Internal Revenue Code.
b. Comparisons of approved methods of depreciation.
c. Options and elections available to the taxpayer.
d. Which rapid method is best for *you?*
e. Limitations on use of certain methods and rates.

2. FINANCIAL ASPECTS OF RAPID DEPRECIATION

The author herein points out numerous factors which will assist the taxpayer in the proper evaluation of the more or less immediate "cash values" of the approved rapid depreciation methods as applied under varying estimated life terms and financial conditions. Several pages are devoted to the basic sources of funds for expansion and the estimated rates or cost of money applicable to each.

3. HOW TO COMPUTE YOUR ECONOMIC GAIN FROM RAPID DEPRECIATION

Long-range benefits, not immediately apparent from a casual study, are brought rather clearly to the reader's attention by a careful study of the text of this section in conjunction with projected examples wherein each of the approved methods are applied to hypothetical cases. It is, perhaps, in this area that the greatest possible gains are to be realized.

4. ACCOUNTING TREATMENT OF RAPID DEPRECIATION

This section explains the accounting treatment accorded rapid depreciation by three basic types of industry. In one instance accounting treatment results in *increased income.* In another *income is reduced,* while in the third instance *income remains unchanged.* The author goes into considerable detail to present factors which would influence the taxpayer in arriving at conclusions as to proper accounting treatment in his own individual case.

5. OTHER IMPORTANT ASPECTS OF RAPID DEPRECIATION

The possible effects on earnings, dividend policy, stock valuations, etc., presented in this section should be items of major consideration by all corporate taxpayers.

6. WHEN IS RAPID DEPRECIATION INADVISABLE?

From the apparent logic of the author's views under this heading it would seem that only a very small percentage of eligible taxpayers would find rapid depreciation to be inadvisable, and then only under the most unfavorable combination of circumstances.

7. CONCLUSIONS AND TYPICAL CASES

At the close of this chapter are six examples of specific corporate taxpayers, each with substantially different circumstances showing the specific effect of rapid depreciation. These examples should provide interesting cases for study by all corporate taxpayers, who will no doubt in them find some parallels for use in arriving at decisions with respect to their own similar circumstances.

Appended to the text are annual depreciation tables covering the common periods of useful life, from four to fifty years, prepared for each of the following depreciation methods:

1. Straight-line method.
2. Declining-balance method.
3. Declining-balance method and switch to straight-line method.
4. Sum-of-the-years-digits method.

These tables have all been based upon an assumed asset value of $100,000, with annual figures stated to the nearest even dollar. By the substitution of a decimal where commas appear, the figures can be instantly converted into percentages, which would be applicable to any given asset amount. For assets acquired other than at the beginning of the taxpayer's tax year, additional tables provide for monthly prorated amounts applicable to the year of acquisition and "weighted" amounts for subsequent years.

Many excellent articles, written by some of the most outstanding men in their professions, have been published during the past few months, dealing with various aspects of the new regulations. Very few writers, however, have undertaken to cover so thoroughly the entire range of the subject as has Mr. Stanley, whose background of experience would seem to qualify him as one of the leading authorities in this field.

Indicative of Mr. Stanley's approach to the subject, the following paragraph is quoted from the FOREWORD of his book:

"Federal income tax services and explanatory bulletins will explain your tax rights on this subject, but this book goes far beyond that by presenting *all important factors* to be considered in deciding whether to adopt one of the new alternative methods for rapid depreciation. The law gives you the rights, but it cannot tell you whether it is to your interest to exercise them. Only you can decide that."

It must be recognized that no "authority" can predict, with infallible accuracy, the ultimate effect of the new tax laws upon any individual taxpayer or class of taxpayers. This work, however, seems to go so deeply into the many and varied elements bearing on the subject that, based upon study of the author's text in general, and his own tests paralleling certain hypothetical cases outlined therein, the writer's unqualified opinion is that eligible individual taxpayers and the financial and accounting officers of all corporate taxpayers will find in this work a wealth of authoritative information to guide them in reaching proper decisions as to the future policies and procedures best for them under these new provisions of the Internal Revenue Code.

* *Published by Prentice-Hall, Inc., 70 Fifth Avenue, New York, N. Y. $15.00.*

Shell Provides $350,000 for Aid to Higher Education

Direct aid to U. S. higher education of $350,000 will be provided in 1955 by the Shell Companies Foundation, Inc. The amount, one of the largest in industry, has been allocated by the Foundation which administers gifts made to it by Shell Companies. The money will be used for the education of scientists and the development of research at 41 different colleges and universities through the academic year 1955-56.

The fund for higher education provides 49 fellowships and 20 research grants in designated fields of scientific and allied study. Schools are given full responsibility and latitude for selecting the fellows and for utilizing the funds provided for basic research. Fields designated by the Shell Companies Foundation for 1955-56 support include business administration, chemistry, chemical engineering, engineering, engineering mechanics, geology, geological and petroleum production engineering, geophysics, mathematics, mechanical engineering, metallurgy-corrosion, physics, and plant science.

The research grants total $150,000. This is the largest single item in the Foundation's program. Each grant consists of a donation of $5,000 to the designated school department to assist in expanding fundamental research and a supplemental donation of $2,500 for use in any manner the school determines.

The fellowship grants total $125,000 to assist in the postgraduate training of 49 outstanding students. Each fellow will receive $1,500 for his personal maintenance. His tuition and fees are also paid and an additional fund is supplied the designated department as a cost of education supplement. Schools not supported by taxes will receive a further supplemental grant for general administrative use.

Second Annual Conference on Records Management

The second annual Conference on Records Management, sponsored jointly by the New York University Graduate School of Business Administration and the National Records Management Council, will be held September 19-20, 1955 at New York University.

The Conference this year will highlight the integration of paperwork controls with particular emphasis on the role of electronic equipment. The program is intended to meet the needs of executives responsible for paperwork policies and for controlling the programs in their organizations.

Information about registration and further details about the program can be obtained from the National Records Management Council, 555 Fifth Avenue, New York 17, N. Y.

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As an extra bonus, the new edition also contains sections describing seminars, conferences and courses scheduled for 1955-56 in this field, commercial digital computer centers, installations of electronic computer systems, and presently available electronic computer systems. **$2.00**

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(Published March 1955)

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Controllership Motivation

(Continued from page 369)

the criterion of the controller—*Does the proposed action influence profit favorably?*—is generally valid.

It is in this sense that the words "profit planning" were used in the first of the six controllership functions. It obviously is of no value to plan income and costs unless a reasonable profit remains; and this profit must perhaps be planned first.

Many companies have, during recent years, begun to realize, sometimes with sorrow, the importance of maintaining a profit. In the inflationary years which we have come through, new financing could never have provided the mountain of new capital that industry has needed. In the long run, it is the function of profits in excess of dividend requirements to keep the business alive—for no business can live long without growing.

This being true, we must admit that profit is the *visible* motive at least for manufacturing an article and selling it—that, tempered with the vision of service to customer, employe and country, it is a reliable enough motive for doing business, and that controllership must therefore accord it appropriate respect.

PLANNING AND CONTROL MOTIVATION

Specifically, however, there is a driving force behind the planning and control idea. Perhaps we can define it by examining the complex structure of business and its manifold needs.

It is certain that the most clearly defined unit in the economic scene is the individual company or business. There was a time, of course, when these units were generally small and easily manageable by one man. As they grew they took on the delicate intricacies of organization. First, departmentalization began—then came branches, and re-groupings known as divisions—and now we have the refinements of decentralized industry.

Strictly speaking, this development has never been without planning. It could not have taken place without planning. Only recently, however, has there been a coordinated effort to plan all the affairs of a business, in integrated fashion, and to control action to the plan.

It is difficult to say exactly what brought this into being. In retrospect, the gap has always been waiting to be filled. There can be no sustained profits, no fulfillment of growth and service objectives, without careful planning and conscientious control. Perhaps this realization sprang from the chaos of organization without direction. Whatever its source, the incentive to plan and control is alive and growing.

The techniques of this idea have now become simple enough. First comes planning for a future period—comprehensive and detailed, and translated by the controllership skill into the language of figures. Then, when the period is under way, reporting takes place—by the exception method and with corollary interpretation. The indicated action becomes the third step—and this action may be either to bring operations into harmony with the plan or to revise the plan. This simple three-part formula, planning-reporting-action, is the *modus operandi* of the planning and control principle.

As this idea developed, it was accompanied by the demand for a man in the organization who could make it work. This task is becoming known as controllership, and it is being entrusted more and more to an individual known as the controller, though frequently to an officer with another title having the controllership duties.

The impact of this change on the controller of two decades ago is marked. Then he was usually known as the man in charge of accounting, cost analysis, taxes and auditing. These responsibilities persist in the statement of functions presented earlier in this paper.

Accounting, however, has been sublimated to the broader task of measuring performance and interpreting the results of operations. His beloved cost work has become not an end but only the means for maintaining a plan for the control of operations, and for reporting in detail thereon, in order that the control might be effective. The old functions are engulfed in new and broader ones which insist that he appraise critically both the objectives of the business and the effect of economic forces on their attainment. Of the former functions, only tax administration and internal auditing have retained their separate identity.

Basically the seed of controllership is found in business itself—in its modern form of organization and in the necessity of guiding this young giant. We have modern controllership not because the controllers wished it, even though their insight has brought it about. The actual motivation is found in the discernment on the part of management that a means of planning a forward course and of controlling the business to that course is indispensable to the further progress of industry. This demand cannot be denied nor ignored.

WHAT CONTROLLERS MUST DO

In order that controllership may answer this call, it seems to me that controllers individually must adopt a decisive program. They must forsake the defensive and take the offensive in this battle for scientific management.

Perhaps the first step is the effort to think as management rather than as accounting. This requires some delicate mental distinctions. I am told that one of the stubborn problems in the movement to make foremen a part of management is to get them to think as management. They persist in thinking as workers endowed with supervisory duties. This dilemma may contain a hint for us.

Every controller might take a few quiet moments to ask himself the question, *Do I really think as management, or do I think only as a hired accountant?* It is a searching question, which leads to other questions:

Do I approach the vital problems which my business is facing with the viewpoint of those responsible for solving them; or do I mentally draw away and retire into the secure realm of the figure producer, content to let others grapple with the decisions?

Do I think of myself as management assigned to the controllership function, or only as a controller aspiring to become management?

The answers are all-important, for "as he thinketh in his heart, so is he." It is a profitable exercise for a controller to declare to himself "I am a part of management" and then to ask himself if he really believes what he is saying. An honest look in his mental mirror may tell him that he does not. There are too many references in current business literature to controllers preparing "reports for management," in such a manner as to leave the implication that management is something apart from them, to which they merely report.

This donning the mantle of management involves doffing the robes of the professional accountant. Although industrial accounting is a major responsibility of the controller, it is entirely subordinate to the task of operating a business properly by means of planning and control principles. Therefore he must leave the finesse of the profession to the public accountants, rely on them for guidance in taxes and the determination of periodic net income, and practice controllership.

He must also separate his assignment from finance, even though frequently he will be called upon to do both. The treasurer's function is akin to the responsibility for an operating department, except that it deals with money rather than materials and manpower. The pure function of controllership does not operate; it supports the operations of others.

COMPENSATION AND PROMOTION

This leads to another phase of motivation which is much thought of but little discussed—the question of the compensation of controllers and their channels for promotion.

So far as the former is concerned, it should be measured by the contribution which the controller makes to his company. Controllers are prone to resent the fact that they are out-compensated by sales managers—yet the latter must produce or go, and their relatively high business mortality attests this understanding. When controllers have made their service as valuable in the minds of top management as that of the business-getting function—that is, when they have produced a high-calibre planning and control coordination and have convinced all concerned of its value, they will no longer trail at the end of the management parade.

Then we will no longer read announcements of controllers being "promoted" to the position of treasurer. If the controllership job is well done and adequately recognized, such a move is not a promotion. Neither will controllers be seeking movement into operating jobs as an outlet for expanding creative talent. Their principal channels of progress will be the presidency or a larger sphere of controllership, and let them consider well the possibilities of the latter course within their own present organizations.

To realize these opportunities, we must see the unlimited contribution to be made by inspired controllership to the progress of all business. We must relinquish the charms of the accounting science and discipline our thinking toward the management science. We must reject operating duties, which would adulterate the high work awaiting us. We must insist on adequate staffs to carry out our assignments,

(Continued on page 398)

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Controllership Motivation

(Continued from page 397)

and yet refrain from "empire-building." We must, in short, cultivate straightforward and clear motives for all that we think, say and do.

HOW CAN IT BE SOLD?

One of the questions most frequently asked concerning the application of the controllership idea is, *What can be done to sell it to management?* This is almost a separate subject in itself. Underlying this eternal sales campaign there must be an understanding of the principles of controllership on the part of the controller himself. To put it another way, a controller who is saturated with this philosophy and thoroughly convinced of the need for it in his business will perform a natural sales job that will be relatively effortless. From the motivation of his own convictions he will convince others.

Let us suppose you do not make use of the planning and control principle in your organization—in fact, that you do not even use budgets. Now permit me to recommend that you ask yourself a few questions, linked together to establish a chain of reasoning. And let me further suggest that you give careful thought to each question, and find in the recesses of your thought a considered answer.

First: *Have you ever faced squarely the fact that the reason your top management group does not "buy" the budget idea may be that you yourself are lukewarm about it?*

Have you too quickly assumed that because your business has sharp peaks and valleys, sales forecasting is not for you?

Have you been talked out of a scientific approach to planning because you cannot meet the argument: "We have been making a satisfactory profit without it"?

Have you accepted the subtle suggestion that everyone is too busy to do a job of orderly forward planning?

Have you subconsciously rested on the hazy conclusion that your business is different from all others and therefore not subject to the same management principles?

If your answer has to be in the affirmative, you are not alone. Each of these arguments has taken its toll in the battle for better management.

Let us go a step further:

Are you failing to make the best use of modern planning and control technique because you have a misconception of budgeting?

Are you thinking of it mainly as a pressure device with which to get the most work out of people at the least cost, rather than as a system whereby people can establish their own yardsticks and, in harmony with supervision, improve their own performance?

Do you think of the controller and his staff as police officers charged with enforcing compliance with the budget, instead of placing this responsibility in the line organization where it belongs?

If any of these quite prevalent notions is clinging to your concept of budgeting, there is still ample time to rid yourself of them.

Another step: *Are you thinking of budgeting as simply setting a standard for each expense item, rather than as the statement in figures of detailed operating planning?*

Does the budgeting idea loom up in your mind as a new technique, and a rather expensive one at that, to be superimposed on your existing structure of accounting, costs and estimating, rather than as a change to an operation fully coordinated by means of planning and control?

Have you failed to realize that budgeting of expenses is only a segment of a company-wide planning and control structure, which ought to include every item in the profit and loss statement, as well as a financial program which would control every item in the balance sheet?

If the answer is yes, you may have a clue to your inability to sell the controllership idea.

And now let me ask one more trio of impolite questions: *Are you by any chance one of those who insists that the planning and control idea never makes any progress in your organization for lack of top management support?*

Do you give up too soon because you happen to be the controller of a branch or subsidiary and cannot make your distant home office see it the way you do?

Finally, and in summary:

Are you completely sold yourself on the package you are trying to sell others?

The last question of course is the heart of this entire matter of selling controllership. If the controller lives it in his business affairs, he can impart it to those around him. It is my honest conviction that we who ask how to sell this idea will find that it is selling itself once we have mastered it well enough to express it whenever the opportunity occurs in our business day.

OBJECTIVE MANAGEMENT

I hope that the foregoing comments have offered at least one view of the unlimited fields ahead for controllership rightly motivated. There is, of course, a philosophical framework to every kind of work, and perhaps before concluding it would be well to touch on this phase of our chosen field.

There is no section of management which must place so high a premium on pure objectivity as the controller. He must keep himself equally free from sales enthusiasm, engineering exactitude and the power-leadership of the president's office (and this is not to deny that salesmen must sometimes be exact, engineers enthu-

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siastic and presidents humbly receptive). Or turn to other functions—purchasing, industrial relations or research, for instance—and you find that each has its requisite attitude, that each reacts to any new proposal in the way that best suits its assigned aim.

This is natural and doubtless beneficial. It does, however, leave the obvious gap. Only the controller can afford to be completely objective. He alone will not retard his achievement by being objective. In fact, he will further it.

Now a trained business analyst, possessed of all the facts, and devoted to objectivity of thought, is an asset worth having in any business. Add to this the know-how to coordinate an effective planning and control system, and his contribution multiplies. All this presupposes his willingness to delegate to someone else such projects as organizing the accounting department to get earlier monthly closings and arguing with the tax authorities. It also rests on his ability to keep free of operating duties which should be performed by others, and which, if he succumbs to the temptation to acquire them, will hinder fulfillment of the controllership opportunity.

All these considerations find their source in the fibre of thinking that the controller is developing from year to year. The core of this fibre, it seems to me, lies in correct motivation, and for this reason I think the controller should study searchingly his own motives and the reasoning which supports them. Only by this means will he unfold a self-sustained set of convictions and the moral courage to uphold them.

RELATED READING

THE CONTROLLERSHIP FUNCTION: A MODERN CONCEPT. By James L. Peirce. THE CONTROLLER—September 1952.

CONTROLLERSHIP AND ACCOUNTING: A CONTRAST. By James L. Peirce. THE CONTROLLER—September 1953.

THE PLANNING AND CONTROL CONCEPT. By James L. Peirce. THE CONTROLLER—September 1954.

(Reprints of Peirce articles are available at 25¢ each from THE CONTROLLER, *1 E. 42nd St., New York 17, N. Y.)*

THE PLACE OF THE CONTROLLER IN MANAGEMENT PLANNING. PART I—by T. F. Bradshaw. PART II—by John V. van Pelt III. THE CONTROLLER—October 1952.

DEVELOPING MEN FOR CONTROLLERSHIP. By T. F. Bradshaw. (Harvard Business School.) Reviewed in "Paging the New Books." THE CONTROLLER—December 1950.

TEXAS OPPORTUNITY

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RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers		$ 603,084,328.66
U. S. Government Obligations		784,031,184.43
Loans and Bills Purchased		1,408,320,979.50
Public Securities	$ 49,638,560.60	
Stock of Federal Reserve Bank	9,000,000.00	
Other Securities and Obligations	64,378,860.11	
Credits Granted on Acceptances	23,918,292.93	
Accrued Interest and Accounts Receivable	34,025,122.96	
Real Estate Bonds and Mortgages	21,368,782.59	202,329,619.19
Bank Premises		4,950,364.87
Total Resources		$3,002,716,476.65

LIABILITIES

Capital (5,000,000 shares - $20 par)	$100,000,000.00	
Surplus Fund	200,000,000.00	
Undivided Profits	104,867,943.89	
Total Capital Funds		$ 404,867,943.89
Deposits		2,521,874,340.65
Foreign Funds Borrowed		150,000.00
Acceptances	$ 26,773,287.65	
Less: Own Acceptances Held for Investment	1,793,012.16	
	$ 24,980,275.49	
Dividend Payable July 15, 1955	4,000,000.00	
Items in Transit with Foreign Branches	1,878,182.54	
Reserve for Expenses and Taxes	17,783,461.82	
Other Liabilities	27,182,272.26	75,824,192.11
Total Liabilities		$3,002,716,476.65

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Electronics Study Announced

"Electronics In Business: A Descriptive Reference Guide" has just been published by Controllership Foundation, Inc., research arm of Controllers Institute, New York. The active demand for the Foundation's first study, "Business Applications of Electronic Machines," and increasingly insistent requests for an up-dated version, has prompted the Foundation to publish this second, greatly enlarged and up-to-date edition. The new edition contains all items which appeared in the first edition, *plus* considerably expanded descriptive references to similar material published since the first edition. Also included in the new study are sections describing seminars, conferences and courses in this field scheduled for 1955-56, commercial digital computer centers, installations of electronic computer systems and presently available electronic computer systems.

Copies are available from Controllership Foundation Inc., One East Forty-second Street, New York 17, N. Y. $2.00 ($1.50 to Institute members).

This Electronic World

Corporations with electronic data-processing machinery must figure on training periods for personnel who will operate the machines. A new study, "Data Processing by Electronics," published by Haskins & Sells indicates that two manufacturers have courses in programming that last one month. Courses offered by the other manufacturers are not specified in the study.

•

A machine recently installed by the Burroughs Corp. at the First National City Bank of New York handles the bank's travelers checks at a rate of 7,200 hourly. The machine "reads" the serial numbers on the checks passing through it, automatically punches the information derived from the serial numbers on to punch cards and rejects for hand processing those checks which are defective to a degree that the machine cannot read them. The machine, which scans the documents with the aid of a photo-electric cell, is described as the first workable bank equipment to "read" directly from the source document without the need for human intervention or an intermediate coding operation.

•

Remington Rand has announced the development of a computer which will serve as an "electronic dictionary" to help do the programming necessary for the large electronic computers. The person using an electronic computer will be able to feed the information of the type he uses daily into his "automatic dictionary" which will translate the ordinary language of business into the computer's lexicon.

•

Westinghouse Electric Corp. has announced it will break grounds soon for an "automatic" plant to make semi-conductor devices such as transistors, power rectifiers, high frequency detectors and photo cells. Westinghouse says that automatic manufacturing equipment is needed in the plan "because human hands cannot come in contact with the special materials used in the manufacture of semi-conductor devices without contaminating such materials." These materials include germanium, selenium, silicon and tellurium.

•

An IBM 702, installed at Iowa State College is being used to help farmers determine what to produce to maximize profits. Completely accurate allowances cannot be made for price changes and weather changes, but the best combination of available factors can be chosen to arrive at a relatively small number of options, all said to be much more accurate than any choice arrived at by budget analysis, rough estimating, intuitive judgment, or all three.

Consumers' Finances

The 1955 survey of consumers' finances, based on interviews with 3,119 "spending units," indicates that:

1. The level and distribution of income were about the same in 1954 as in 1953. Average income before taxes dipped to $4,420 last year from $4,570 in 1953. Average after-tax income held at $3,920 in both 1954 and 1953.

2. The proportion of consumers holding liquid assets (excluding currency) declined to 71% in early 1955 from 74% in early 1954. The median account held by all consumers dipped from $350 to $250.

3. Ownership of stock in publicly held corporations was reported by 8% of the spending units in early 1955, about the same proportion as in 1953. Of the spending units with incomes under $3,000, only 4% reported stock ownership, compared with 35% among those with incomes of over $10,000. Most stock owners held relatively small amounts—¼ held stocks valued at less than $500, while ½ owned stock valued between $500 and $10,000.

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*PUBLISHED MATERIAL ON INTEGRATED DATA PROCESSING**

PAMPHLETS

"A New Approach to Office Mechanization: Integrated Data Processing Through Common Language Machines," American Management Association, New York, 1954.

"Integrating the Office for Electronics," American Management Association, Special Conference, New York, February 25-26, 1954.

PERIODICALS

"Integrated Data Processing Brings Automation in Paperwork" by P. B. Garrott, *Automation*, Part I—December 1954, p. 31; Part II—January 1955, p. 39; Part III—February 1955, p. 65.

"Integrated Data Processing," *Dun's Review & Modern Industry*, November 1954, p. 102.

"Achieving Greater Productivity in Accounting Through Integrated Data Processing," by Harold Van Gorder, *N.A.C.A. Bulletin*, Section 3, August 1954, p. 1708.

"Integrated Data Processing and Common Language Machines" by R. A. Rietz, *N.A.C.A. Bulletin*, June 1954, p. 1319.

"Integrated Data Processing for the Smaller Office" by Ralph W. Fairbanks, *Office Management*, Part I—June 1954, p. 18; Part II—July 1954, p. 33.

**These items, with some 300 others, appear in complete annotated form in Controllership Foundation's new bibliography "Electronics in Business: A Descriptive Reference Guide."*

4. Over half of the spending units reported some short-term consumer debts in early 1955, the same as a year ago. Some 60% owed less than $500. Almost half of the spending units surveyed reported owing debt on the installment plan early this year.

The Coffee Break

Sixty-five per cent of U. S. workers now have a daily coffee break while the amount of coffee consumed on the job has almost doubled in the past five years. Forty-five per cent of employed persons interviewed in the survey reported that coffee was available on the premises while an additional 20% said they were free to go outside for it or could stop while traveling on the job. Factory employes consume more coffee on the job than other groups, while store employes ran a close second. Office workers were third, followed by workers who travel or who are employed primarily out of doors. The most common method of providing coffee at work involves one employe making it for a group. Thirty per cent of all workers had coffee by this method while five per cent use coin machines.

Business Spending

Increased spending by business, keeping pace during the first half of the year with the economic upturn, went for building up inventories and financing consumer buying as well as for new plant and equipment, according to FRB. Business outlays for new plant and equipment in the second quarter were 6% above a year ago, while expenditures for the third quarter are expected to be 9% more than in the same period of 1954. While investment in additional inventories has been moderate this year, FRB says the shift from the inventory liquidation of a year ago "has altered the character of business financial needs and increased the demand for credit."

The Cost of Taxes

The average man works two hours and 35 minutes of each day to pay his taxes, both direct and indirect, according to *Tax Topics*.

Industry Survey

During April, according to OBE, there was little change from the high rates established in manufacturers' operations in March. The value of factory shipments was sustained at a record rate, while inventories remained relatively stable. New orders were a little lower than in March, though higher than in any other period in the past four years. Uncompleted contracts on manufacturers' books were reduced slightly. Manufacturers' shipments totaled $26.4 billion during April, compared with $24 billion a year ago; the book value of manufacturers' inventories was $43.3 billion at the end of April compared with $44.5 billion a year ago; the value of new orders placed in April totaled $25.9 billion compared with $22.2 billion for the previous April; and backlogs of unfilled orders were $47.7 billion or $500 million lower than at the end of the previous month.

TEN-YEAR FORECAST

The Stanford Research Center, Stanford University, has made a ten-year forecast concerning population, individual income, employment and total U. S. output with the following basic assumptions:

1. No all-out war, but high defense spending.
2. No radical advances in technology that might speed up normal rate of business growth.
3. Business will have its ups and downs, but will be more stable than in the past.

Projected data, compared with 1955 and 1945 are as follows:

	1945	Now	1965
Population	139 million	162 million	187 million
Individual Income (after taxes)	$151 billion	$253 billion	$298 billion
Employment	52.8 million	62.3 million	72.2 million
Total U. S. Output	$215 billion	$356 billion	$465 billion

Business Failures

An item on page 143 of the July issue of *Coronet* states that, "an investigation of 408 bankrupt businesses revealed that 53% showed no evidence of accounting work." This view was expressed by a New Jersey judge in a bankrupt case.

Life Insurance Holdings

At the beginning of 1955 American families owned some 237 million life insurance policies, representing an aggregate protection of $334 billion, or an average of $6,300 a family. Ten years ago, according to the Institute of Life Insurance, the average was only $3,100. There are 93 million policy holders today compared with 70 million in 1944.

Jobless Pay Benefits

Twenty-three states and the District of Columbia have increased maximum jobless pay weekly benefits since January 1, according to a survey by Commerce Clearing House. The average weekly amount available to the unemployed under the new schedule in these states is $30.79 compared with $26.27 allowed prior to the new effective dates.

Automatic Meters

An automatic data-logging system has been announced for water-works systems. The system automatically measures water consumption by large users, and sends the information to the central station for transfer to punched cards or tape for invoicing and accounting. It also keeps track of reservoir and tank levels, pump and pipe-line pressures and flow rates.

Company Picnics

Surveying company practices in connection with employe picnics, Associated Industries of Cleveland found that the average cost per employe for companies surveyed is $2.43. In one instance, covering a company in the 100-500 employe size, the average cost per employe was $20.08. In some instances, the study noted, company and union share the cost of the annual picnic.

Job Investments

According to a U. S. Chamber of Commerce survey, the average investment by nine chemical companies, since 1945, has been $38,117 for each job created. The profit return to the chemical industry, estimated by SEC for 1953 at 6.1% on each sales dollar, is higher than the average for all manufacturing industries of 4.25%.

Job Opportunities

A survey of 40 colleges and universities by the *Wall Street Journal* discloses that the college graduates of 1955 will have their choice of jobs. Starting salaries offered by corporate recruiters range as much as 20% above a year ago. The greatest demand is for engineers, physicists, chemists, accountants and other technically trained personnel, and the demand for liberal arts students is growing. According to the placement director at Southern Methodist University, newly graduated engineers are averaging $410 a month compared with $385 last year while accountants average $325 compared with $300 a year ago and business and liberal arts students average $275 compared with starting salaries of $250 a month last year.

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Personal Notes

Members of the Controllers Institute are identified in the following items by certificate number and year of election in parentheses.

NEW CONNECTIONS . . .

George E. Pierce (#6433-1955) has joined the Buckeye Pipe Line Company, New York, as controller. He was formerly controller, Rockwood & Company, Brooklyn, N. Y. . . . **Lee C. Andrews** (#5333-1951) has accepted the position of controller of Chicago Molded Products Corporation, Chicago, Ill. Mr. Andrews was formerly comptroller of Bell & Howell Company of the same city. . . . **J. J. Sutherland** (#4230-1948), formerly executive assistant to the president, G. M. Giannini & Company, Inc., Pasadena, California, is now vice president and general manager of Vacuum Tube Products Company, Oceanside, California.

J. D. Lang (#6261-1954), controller, Polan Industries, Inc., Huntington, West Virginia, has joined Duquesne Light Company, Pittsburgh, Pa., as auditor. . . . **J. A. Crawford** (#5965-1953), formerly comptroller, Canadian Bakeries Ltd., Vancouver, British Columbia, Canada, is now with Western Plywood Company **Limited** of the same city as internal auditor. . . . **George A. Daniels** (#4428-1948) is now controller of River Brand Rice Mills, Inc., Houston, Texas. He was formerly secretary-treasurer, Hydraulic Press Manufacturing Company, Mount Gilead, Ohio.

Henry S. Elder (#969-1937) has been elected treasurer of the Erie Forge and Steel Corporation, Erie, Pa. He was formerly executive vice president of Titeflex, Inc., Newark, N. J. . . . **Raymond J. Kenard** (#4491-1949) is now director of Budgets for the Consolidated Foods Corporation, Chicago, Ill. Prior to joining Consolidated Foods, Mr. Kenard was associated with Airline Foods Corporation from 1947-1954 as controller and director of the company. For 16 years previous he held various executive positions with the Great Atlantic & Pacific Tea Company, principally in the company's manufacturing financial department.

PROMOTIONS . . .

Charles C. Tallman (#3929-1947) has been made general manager of the Electrical Division, Olin Mathieson Chemical Corporation, New Haven, Conn. He was formerly assistant to the vice president for finance. . . . **Harry E. Kellogg** (#6123-1954), assistant secretary-assistant treasurer, Leslie Salt Co., San Francisco, California, was recently elected secretary and treasurer of the company. . . . **Kenneth W. Hill** (#6232-1954) has advanced from assistant controller to controller of the Meredith Publishing Company, Des Moines, Iowa. Mr. Hill is secretary-treasurer and a director of the Iowa Control of Controllers Institute. . . . **L. Keith Goodrich** (#4669-1949), formerly assistant vice president, McGraw-Hill Publishing Company, Inc., New York, is now vice president.

NEW BUSINESS . . .

Herbert O. Hincks (#1193-1938), CPA, is now engaged in the practice of public accounting in Louisville, Kentucky.

NEW APPOINTMENTS . . .

Harold R. DeJager (#4174-1948), assistant treasurer and controller, Oxford University Press, New York, has been elected secretary, succeeding **Russell I. Garton,** who retired March 31, 1955. Mr. DeJager was a director of the New York City Control of Controllers Institute, 1954-1955.

Alexander G. Lindquist (#2646-1943), vice president, and formerly secretary and controller, Gardner-Denver Company, Quincy, Ill., has been named vice president and treasurer and a member of the executive committee. . . . **Charles E. Klein** (#3688-1946), treasurer, Chesebrough Manufacturing Company Consolidated, New York, has been named controller of Chesebrough-Ponds, Inc., the company formed by the merger of Chesebrough and Pond's Extract Company. . . . **Chester A. Brewer,** formerly assistant secretary of Controllers Institute of America, has been named assistant secretary-treasurer of the American Nurses' Foundation, Inc., New York, which will conduct studies, surveys and research in the field of nursing. Mr. Brewer, who is also business manager of the American Nurses' Association, is the son of O. W. Brewer (#14-1931), controller, American Gas Association, New York, and former treasurer (1932-1948) of Controllers Institute.

Ernest Kanrick has been appointed controller for Napco Industries, Inc., Minneapolis, Minn. He was formerly affiliated with Alexander Grant and Co., Chicago. . . . **Austin Boulay** was recently appointed controller of Minneapolis Rubber & Gasket Co., Minneapolis, Minn.

RETIREMENTS . . .

Dan R. Matthewson (#2687-1943), an employe of Delco Products division of General Motors for 37 years, retired as controller on July 1 and was succeeded by **James A. McNamara,** resident controller of the Kansas City B-O-P assembly division. Mr. Matthewson was a director of the Dayton Control, 1954-55. . . . **James H. Eteson** (#2736-1943), controller, State Mutual Life Assurance Company, Worcester, Massachusetts, will retire as of September 1. Mr. Eteson has long been active in the affairs of Controllers Institute, hav-

Canby

MR. ANDREWS

MR. HILL

MR. DEJAGER

MR. MATTHEWSON

MR. ETESON

ing served as chairman of the National Committee on Education, 1950-1952; as a member of the Research Executive Committee, Controllership Foundation, 1952-53; as a trustee of Controllership Foundation, 1952-55; and as president of the Boston Control of Controllers Institute, 1953-1954.

VICE PRESIDENTS . . .

Howard M. Packard (#3932-1947), financial and international vice president, S. C. Johnson & Son, Inc., Racine, Wis., has been elected executive vice president and a director. . . . **James W. Swackhamer** has been named vice president in charge of administration and finance of the U. O. Colson Company, Paris, Ill. He is a member of the Board of Directors.

NEW DIRECTORS . . .

Richard N. Allen (#3583-1946), assistant secretary and controller, Central Soya Co., Inc., Fort Wayne, Ind., elected chairman of the Advisory Board of Directors. Mr. Allen was recently elected president of the Fort Wayne Control of Controllers Institute for the 1955-56 term. . . . **Jerome H. Gales** (#5921-1953), secretary and treasurer, Cabell's, Inc., Dallas, Texas, has been named to the company's Board of Directors. . . . **Stanley T. Crossland** (#4665-1949), vice president and treasurer of Texas Co., New York, replaces **A. Neil Lilley,** resigned from the Board of California Texas Oil Co., Ltd. (Caltex), as a director. . . . **Granville H. Bourne** (#179-1933), president, Commonwealth Services, Inc., New York, has been elected chairman of the Board of Directors of the company, a new post.

ADDITIONAL DUTIES FOR . . .

Donald H. Dalbeck (#3445-1945), treasurer, controller, vice president and a director of Reed-Prentice Corporation, Worcester, Mass., who was elected controller of Package Machinery Company of East Longmeadow, Mass. Mr. Dalbeck is a past president of the Boston Control of Controllers Institute and a national director of the organization. . . . **Edward T. Fitch** (#6369-1954), controller, Dravo Corporation, Pittsburgh, Pa., who has been elected a director of the company and two subsididaries, Union Barge Line Corp. and Southern Transfer Co. He was also elected treasurer of the two subsidiaries and of Dravo-Doyle Co., another subsidiary.

Clyde E. Bissell (#293-1934), secretary, treasurer, and controller of the Borg & Beck Division of Borg-Warner Corporation, Chicago, Ill., who has also been named vice president of the division. . . . **George F. Groff** (#6607-1955), who has been appointed to the position of secretary of Crucible Steel Company of America, Pittsburgh, and will continue in his present office of vice president-finance. . . . **Newton V. Turney** (#4600-1949), controller, Chance Vought Aircraft, Inc., Dallas, Texas, now vice president and controller.

COMPANY MOVES . . .

C. C. Combs (#4869-1950) has been elected a vice president of Shell Pipe Line Co., Houston, Texas, a subsidiary of Shell Oil Co., New York. Mr. Combs was controller of Shell Oil Co. of Canada, Ltd., Toronto, Ontario, Canada. . . . **H. L. Busch** (#5929-1953), formerly divisional comptroller, Rochester Products Division, General Motors Corp., Rochester, N. Y., has been transferred to General Motors Overseas Operations Division, General Motors Corporation, New York, as divisional comptroller.

EXTRACURRICULAR ACTIVITIES . . .

Thurber H. Bierce (#1802-1940), treasurer, *Newsweek,* New York, has been elected vice president of New York University's Men in Finance. . . . **G. Carlisle** (#2177-1942), treasurer, Micromatic Hone Corporation, Detroit, Michigan, is serving as treasurer of Junior Achievement of Southeastern Michigan, the largest Junior Achievement organization in the United States. . . . **Louis J. Schuster** (#3065-1944), assistant secretary and assistant treasurer of Chase Brass & Copper Co., Waterbury, Conn., was chairman of the 1955 membership drive of the Waterbury Chamber of Commerce which was held from June 21 to 24. He is presently vice president of the Chamber.

William R. Thomas (#5752-1952), controller, Cutter Laboratories, Berkeley, Calif., addressed the cost accounting classes at the Stanford School of Business Administration. . . . **Gordon G. Hoit** (#3429-1945), executive vice president, Stromberg-Carlson Company, Rochester, N. Y., was chairman of the American Management Association's annual conference on Electronics in New York City. . . . **Donald P. Jones** (#3867-1947), comptroller, Sun Oil Co., Philadelphia, Pa., served as general chairman of the American Petroleum Institute's Accounting and Financial Committee cooperating with the SEC.

EDUCATORS . . .

C. M. Ahearn (#3446-1945) has been promoted to adjunct associate professor of accounting at the Graduate School of Business Administration of New York University. Mr. Ahearn will assume this post in addition to his regular full time duties as divisional controller of the Eastern Division of the Colorado Fuel and Iron Corporation, New York. Mr. Ahearn has been a lecturer at N.Y.U. since 1945, teaching courses in accounting and controllership. He designed the first course in controllership offered by New York University.

Professor Rufus Wixon (#4490-1949), chairman of the Accounting Department of Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa., left in June to join the Wharton School team, which is setting up an Institute of Public and Business Administration at the University of Karachi, Pakistan. The mission is a "Point Four" project of the Foreign Operations Administration, which has contracted with the University of Pennsylvania to carry it out. Dr. G. Wright Hoffman, who is chief of the overseas party, and three other members of the party left for Pakistan last fall. Professor Wixon will join the party as associate chief of party and specialist in accounting.

In addition to setting up the Institute

MR. GALES

MR. DALBECK

MR. FITCH

MR. GROFF

MR. AHEARN

of Public and Business Administration, the mission will help the University of Karachi develop its curricula and faculty in those fields in order to serve the government and industry of Pakistan through consultation and research.

WRITERS . . .

James L. Dohr (#4195-1948), professor, Columbia University School of Business, New York, co-authored an article in the April 1955 issue of the *Journal of Accountancy* entitled "Book Value: A Brief Comment on the Stans-Goedert Article.". . . **David R. Anderson** (#1941-1933) is author of an article entitled "The Industrial Accountant as a 'Go-Giver' " in the June 1955 issue of *NACA Bulletin*. Mr. Anderson is controller of Niles-Bement-Pond Company, West Hartford, Conn.

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Obituary

HENRY C. PERRY

Sixth President of Controllers Institute

HENRY C. PERRY, sixth president of Controllers Institute of America and secretary, treasurer and a director of the Heywood-Wakefield Company, Gardner, Massachusetts, died on July 3, 1955. He was 61.

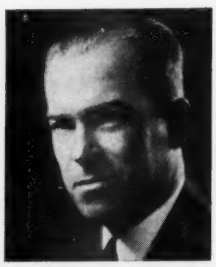
A member of Controllers Institute since 1932, he held the office of national president during 1937-1938 and was chairman of the national Committee on Education, 1942-1945 and vice-chairman, 1950-1951. He held membership certificate #169 in the Institute.

Prior to his engagement with the Heywood-Wakefield Company in 1919, he was employed successively as chief accountant with the American Thread Company, Holyoke, Massachusetts; as assistant treasurer of the Noiseless Typewriter Company, Middletown, Connecticut; and, during World War I, as contact representative for the Government, Ordnance Division at the United States Cartridge Company, Lowell, Massachusetts.

Mr. Perry was vice president-division of finance and accounts, American Management Association, 1942-1945 and a director, 1945-1948. He held other posts including: a member of the Advisory Council, Nichols Junior College; an associate staff member, Babson Institute; former chairman, Accounting Committee, as well as a director, of the National Association of Furniture Manufacturers; a former director, National Association of Cost Accountants; and a member of the Financial Executives Council, National Industrial Conference Board, 1950-1952.

He was the author of various articles and editorials on budgets, costs, credits, finance and management control, and addressed many meetings of Controllers Institute of America, National Association of Cost Accountants, National Association of Credit Men, the American Management Association, and other business groups throughout the country.

ROBERT E. KING, 56, treasurer and comptroller of the Los Angeles Turf Club, Inc., Santa Anita Park, Arcadia, California, died of a heart ailment at Good Samaritan Hospital on June 9, 1955, just eight days after his only son, Ronald, was killed in a motorcycle accident in El Paso, Texas.



Mr. King, a CPA, had been with the Turf Club since it opened Santa Anita race track in 1934. He had been a member of Controllers Institute since 1938, holding certificate #1136. He served as president of the Los Angeles Control, 1945-46; as chairman of the National Planning Committee, 1949-51; as a national director, 1950-51; and at the time of his death was serving as chairman of the Finance Committee for the 1955 Annual National Conference of Controllers Institute to be held in Los Angeles in November 1955.

C. HOWARD PAUL, who rose from a clerk to vice president, secretary, treasurer, and director in 38 years with Mackintosh-Hemphill Co., Pittsburgh, Pa., died on July 3, 1955 following a heart attack. He was 61.

When Mackintosh-Hemphill became a division of the E. W. Bliss Co. of Canton, Ohio on May 1, 1955, Mr. Paul was appointed assistant treasurer for the entire Bliss organization. He held this position at the time of his death.

Mr. Paul held membership certificate #2756-1943 in Controllers Institute.

RHODES D. SWINBURNE, comptroller, Wheeling Steel Corporation, Wheeling, West Virginia, died at his home on June 16, 1955 after a severe heart attack. He was 57.

Mr. Swinburne came to Wheeling Steel in 1927. Prior to that he had been associated with the Ford, Bacon and Davis Engineering Company and with Price Waterhouse & Co. He was a member of the Committee on Statistics of the American Iron and Steel Institute and held membership certificate #1674-1940 in Controllers Institute.